METECH INTERNATIONAL LIMITED

Company Registration No. : 199206445M
65 Tech Park Crescent
Singapore 637787
Telephone: +65 6264 4338
Fax: +65 6863 2035
Email: info@metechinternational.com
Website: www.metechinternational.com

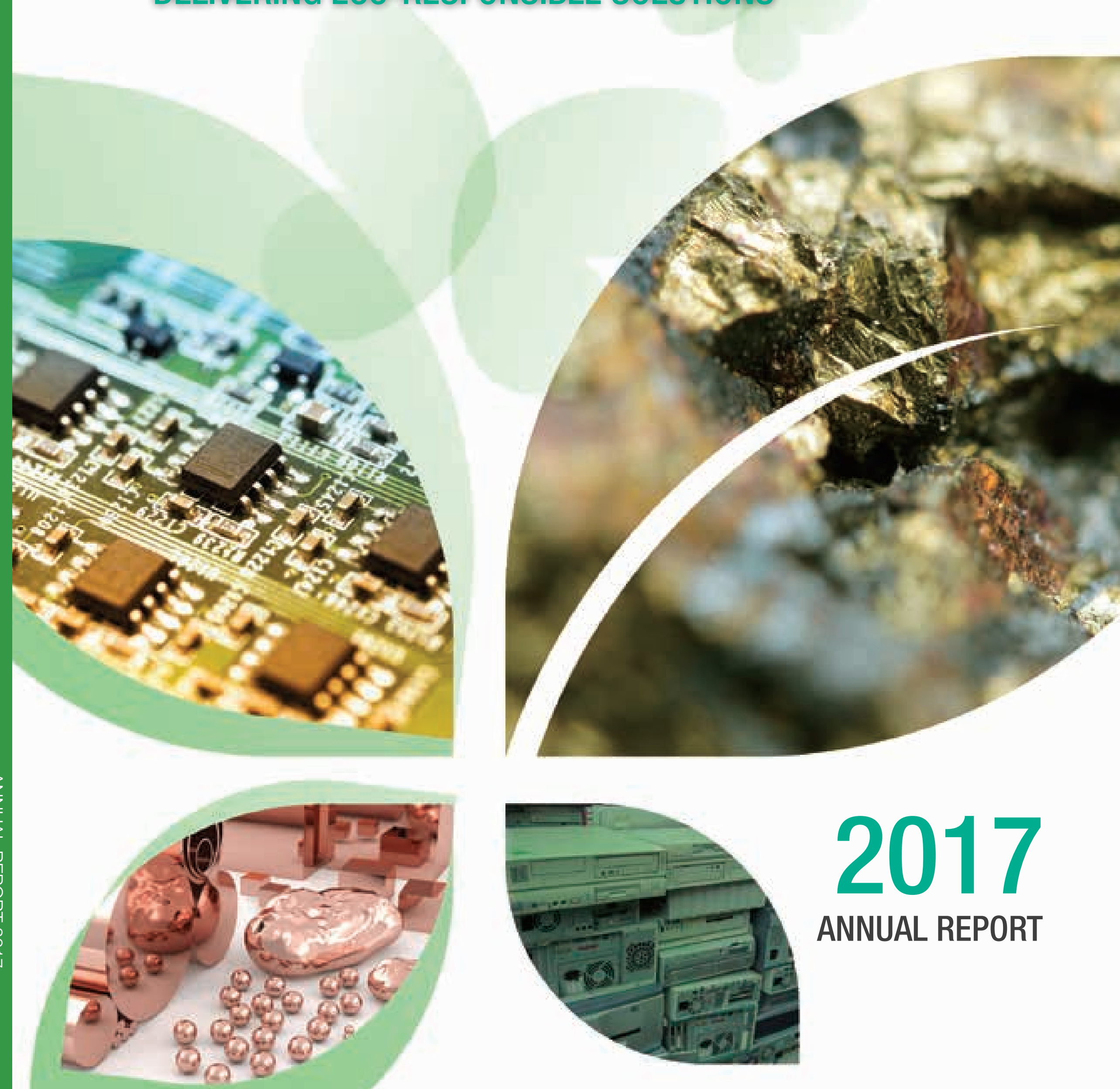
METECH INTERNATIONAL LIMITED

ANNUAL REPORT 2017

METech INTERNATIONAL

BEYOND RECYCLING

DELIVERING ECO-RESPONSIBLE SOLUTIONS



2017 ANNUAL REPORT

VISION

To conserve and maximise Earth's resources.

MISSION

To be a provider of smart solutions to bring value and efficiency to the global supply chain.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Simon Eng
(Executive Director/Chairman)

Andrew Eng
(Executive Director/Chief Executive Officer)

Francis Lee
(Independent, Non-executive Director)

Derek Loh
(Independent, Non-executive Director)

Ricky Sim
(Independent, Non-executive Director)

AUDIT COMMITTEE
Francis Lee (Chairman)
Derek Loh
Ricky Sim

NOMINATING COMMITTEE
Ricky Sim (Chairman)
Francis Lee
Derek Loh

REMUNERATION COMMITTEE
Derek Loh (Chairman)
Francis Lee
Ricky Sim

COMPANY SECRETARY
Wong Chuen Shya

REGISTERED OFFICE
65 Tech Park Crescent
Singapore 637787
Tel: 65 62644338
Fax: 65 68632035
Email: info@metechinternational.com
Website: www.metechinternational.com

AUDITORS
Moore Stephens LLP
10 Anson Road #29-15
International Plaza
Singapore 079903

AUDIT PARTNER-IN-CHARGE
Ng Chiou Gee Willy
(Appointed FY2017)

PRINCIPAL BANKERS
Overseas-Chinese Banking Corporation Limited

CONTINUING SPONSOR
RHT Capital Pte Ltd
6 Battery Road #10-01
Singapore 049909

SHARE REGISTRAR
RHT Corporate Advisory Pte Ltd
9 Raffles Place #29-01
Republic Plaza Tower 1
Singapore 048619

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MESSAGE FROM CHAIRMAN

DEAR SHAREHOLDERS,

The recently concluded financial year ended 30 June 2017 ("FY2017") has been a satisfactory year for the Company as I undertake this review on the performance of the Company in FY2017 and what holds out for us in the new financial year and the immediate years ahead.

We have managed to achieve our main objective of turning around the Company after two consecutive years of losses. More importantly, we have managed to build up a revenue of S$120m, on the basis of which we will have a better chance of improving on the currently modest profit level. I have seen how much the Company has transformed and evolved during this time. It is the changes happening in the Company that I am most satisfied with, and which have given me the confidence to say that the Company is well prepared to compete in the world among especially electronic waste management companies.

Following from the two poor years in FY2015 and FY2016, which saw the commodity price rout set in and our high cost structure, we took decisive actions to remedy our weaknesses. Firstly, we have trained our staff to use instruments such as hedging and off-take contracts as defensive measures to protect our business from unfavourable movements in commodity prices. Secondly, to address our high cost structure, we had to remove non-contributing staff and introduce mechanisation to automate our processes further. The restructuring and transformation exercise has indeed yielded positive results and will continue into the new financial year.

FINANCIAL REVIEW

I am glad that the Company has turned in a profit, albeit small, in FY2017 after two years of losses. It thus gave us satisfaction that we have correctly nailed down our problems. Our two main businesses, Supply Chain Management ("SCM") business and Electronic Waste Management ("EWM") business, did well to register improved performances from the previous year. Our SCM business reported a revenue of approximately S$89m, which is a sharp rise of 557% from the previous year, whilst our EWM business grew by 16% from the previous year to reach a revenue of about S$31m.

More importantly, gross profits returned to the black to the tune of S$5.6m in FY2017. Gross profit for the EWM business came in at S$4.5m which gives it a gross margin of about 14%. Gross profit for the SCM business achieved S$1.1m in this first year of operation. Besides productivity and cost improvements, we noted that the improved EWM's results came about also from new and higher value accounts which the sales teams managed to clinch.

The Board and Management Team had been working tirelessly to raise funds to support the growth plan of the Company. We had also been engaging potential investors to seek their participation in the Company. Besides conventional fund-raising methods, we looked at new approaches such as our successful S$2m bond issue in December 2016 which was done through a crowdfunding platform.

OPERATIONAL REVIEW

For our EWM business, we were operating from six locations: five in the United States and one in Singapore. We are happy to announce that in April 2017 we added a new processing facility in Penang, Malaysia, which will expand our network of service points to cater to not only the needs of our MNC customers, but local ones as well. The new plant is expected to be operational before the end of the year once the necessary licences to operate have been granted by the various Malaysian authorities. Also, through a partnership with a local electronic recycler in the Philippines that was signed in April 2017, our services are now available in Manila and Cebu.

We started our Total Automation 2018 programme, which is the automation and mechanisation of our production process, through the installation of our very first mechanised separation-shredding-segregation process line in Gilroy, California, in February 2017. The new line is capable of disassembling and separating electronic waste devices into several distinct material streams, namely, precious metals, base metals, plastics, glass and hazardous material. The process is then followed by mechanical shredding and further separation to reduce the particulate size and improve purity. Plan is underway to install a second similar line in Clinton, Massachusetts, sometime in February 2018.

Our SCM business takes place in China, currently only involving copper materials. The big jump in revenue was made possible through the injection of the S$2m raised from the bond issue in December 2016. To maintain the revenue, we will have to raise more funds, partly also to repay the S$2m bond, half of which is due in December this year while the other a year later.

BUSINESS OUTLOOK

I believe the business outlook for the Company going forward should be positive judging from three key developments taking place in our operating environment and the Company. Firstly, the prices of precious metals seem to have reached a low in 2016 and has started to move up and stabilise above the low. Upward trending of prices, or at worst, plateauing prices are good for our businesses, and I hope we continue to get to benefit from this price stability.

Secondly, consumers' insatiable appetite for electronic goods continues to grow in almost every part of the world. This would only mean more eWaste down the road which Governments all over the world would have to address. What is certain is that more and more governments would not be allowing such hazardous waste to go to landfills and would want them processed, particularly in the United States and Singapore. This development will certainly benefit EWM companies like Metech.

Lastly, the Company's investment into mechanisation and automation under its Total Automation 2018 programme has paid off. Now the Company is more productive and cost efficient. The Total Automation 2018 programme will continue into 2018, which will put the Company in good stead to compete more effectively in the coming years.

A WORD OF THANKS

In closing, I would like to, on behalf of the Board, thank our shareholders, business associates, customers, employees and other stakeholders for their confidence and unwavering support, especially during our difficult times.

SIMON ENG

BOARD OF DIRECTORS

SIMON ENG

CHAIRMAN

MR SIMON ENG is the controlling shareholder of the Company. In his capacity as the Chairman of the Board, Mr Eng is responsible for the overall direction and strategic development of the Group.

Mr Eng served more than 18 years as a senior officer in an elite service of the Singapore Government from 1986 till 2004, when he retired to join Singapore-listed United Engineers Ltd ("UE"). He served as UE's China CEO and lived in Beijing and Shanghai up to end 2007, when he left to set up a waste and wastewater treatment company, in partnership with Tembusu Growth Fund, a private equity fund domiciled in Singapore to which Mr Eng was an advisor. The company had invested in four waste treatment facilities in China. Mr Eng also served as an advisor to Singapore Technologies Electronics Ltd for several years. On top of his many years of exposure in government and diplomatic circuits, Mr Eng has a wealth of knowledge and experience in the corporate and investment world.

Mr Eng graduated from the University of Hamburg, Germany, as a Naval Architect under a Singapore Public Service Commission scholarship in 1985 and had studied at the Harvard Business School in the United States under a government post-graduate sponsorship.

ANDREW ENG

EXECUTIVE DIRECTOR

MR ANDREW ENG is the President and Chief Executive Officer of the Group. He is also the Executive Chairman of the Group's largest subsidiary, Metech Recycling Inc. in USA.

Prior to joining the Company, Mr Eng was the CEO of Asia Pacific Metals Refiner Pte Ltd, which acquired the Singapore business of Centillion Environment & Recycling Limited in March 2011. He successfully turned the company around in 9 months when the company returned to profitability in 2012.

Mr Eng has more than 20 years of experience in financial advisory, where the Premier Association of Financial Professionals consistently ranked him in the top 5% of the global financial industry. In addition, Mr Eng was the Chairman of an investment holding company that managed a portfolio of about S$35 million for 4 years.

Preceding his entry into the financial advisory industry, he served in the Singapore Police Force till 1991.

Mr Eng graduated from the National University of Singapore with a Bachelor of Engineering.

FRANCIS LEE

INDEPENDENT,
NON-EXECUTIVE DIRECTOR

MR FRANCIS LEE was appointed as an Independent, Non-executive Director of the Company on 1 August 2012, and chairs the Group's Audit Committee. He is also a member of the Remuneration Committee and Nominating Committee of the Company.

Mr Lee brings with him more than 20 years of experience in the financial sector, and provides the Group with advice on matters of corporate governance and acts as a check and balance on the Board's management.

Mr Lee is currently the Chief Financial Officer of OKH Global Ltd, a company listed on the Mainboard of the SGX-ST. He is also a director of his own investment firm, Wise Alliance Investments Ltd. Prior to this, he spent about five and a half years with Man Wah Holdings Ltd, a company listed on the Hong Kong Exchange, as its Chief Financial Officer where he oversaw the accounting functions, corporate regulatory compliance and reporting of the company. He was also the Finance and Executive Director of Man Wah Holdings Ltd. Apart from the Company, Mr Lee is also an Independent Director of three other SGX listed companies.

Mr Lee graduated from National University of Singapore with a Bachelor's Degree in Accountancy and holds a Master of Business Administration from University of Hull. He is a Chartered Accountant and a non-practising member of the Institute of Singapore Chartered Accountants. Mr Lee is also a member of the Singapore Institute of Directors.

RICKY SIM

INDEPENDENT,
NON-EXECUTIVE DIRECTOR

MR RICKY SIM was appointed as an Independent, Non-executive Director of the Company on 1 July 2015. He chairs the Nominating Committee and is a member of the Audit and Remuneration Committee.

Mr Sim started his career in 1977 in the Singapore Civil Service where he spent a total of 18 years, during which he served 6 years in Hong Kong and 3 years in Bangkok as a diplomat. In 1994, he entered the private sector by joining Suntec Investment Group of Companies (SIPL) in Singapore. In addition to fulfilling the role of Chief Operating Officer of SIPL, Mr Ricky Sim was the Managing Director of Chesterton Suntec International Property Consultants from 1997 to 2013. He was an Honorary Advisor to the Real Estate Developers Association of Singapore from 2005 to 2013 and is a member of the Singapore Institute of Directors since January 2000.

Mr Ricky Sim is currently also an Independent, Non-executive Director and Chairman of the Nominating Committee of both Lafe Corporation Ltd & Soo Kee Group Ltd.

BOARD OF DIRECTORS

DEREK LOH

INDEPENDENT,
NON-EXECUTIVE DIRECTOR

MR DEREK LOH was first appointed as a Non-Executive Director in February 2010 and was later re-designated as an Independent Director in November 2011. He presently serves as the Chairman of the Remuneration Committee and is also a member of the Nominating Committee and Audit Committee of the Company. His responsibilities include oversight of corporate affairs and participation in the process of appointment, assessment and remuneration of Directors.

Mr Loh has been practising as an Advocate & Solicitor in Singapore for some 24 years. He is also an Independent Director of 4 other public listed companies, 3 of which are listed in Singapore and one on the London Stock Exchange. Apart from his professional work and corporate participation, Mr Loh is also a member of the Board of Governors of Saint Joseph's Institution International Singapore and a Trustee for the SJI Foundation.

THE MANAGEMENT TEAM

ANDREW ENG

CHIEF EXECUTIVE OFFICER

SIMON ENG

EXECUTIVE DIRECTOR

SAMANTHA HUA

GROUP FINANCIAL CONTROLLER

MS SAMANTHA HUA joined the Company on 1 March 2016 as the Group Senior Financial Manager and was re-designated as Group Financial Controller on 1 June 2016. As a key member of the Group's Management Team, Ms Hua is responsible for the finance, accounting, taxation and compliance reporting of the Group, and its subsidiaries. She also provides business planning and forecasting to support the Group's strategic plans. Her responsibilities also include treasury duties and investor relations. In addition, she assists the Management Team of Metech Recycling Inc. in devising financial plans and strategies to grow the US business.

Prior to joining the Company, Ms Hua was the Group Finance Controller of a SGX Mainboard-listed company for 3 years where she set and oversaw its overall financial objects including all aspects of finance and taxation. She also had 6 years of working experience with CPA firms providing business assurance and advisory services to listed companies and MNCs operating in South-East Asia.

Ms. Hua has a Bachelor Degree in Accountancy.

LEADERSHIP TEAMS

METECH RECYCLING, INC (USA)

Clinton MA – Creedmoor NC – Denver CO – Salt Lake City UT - Gilroy CA.

E-Stewards. R2 Responsible Recycling. ISO 9001. ISO 14001. OHSAS 18001.

President	REX CHENG
Finance Controller	CHERYL NIIZAWA-WALKER

METECH RECYCLING (SINGAPORE) PTE LTD
ISO 9001. ISO 14001. OHSAS 18001.

General Manager	LAU CHIN GUAN
Finance Controller	CHAN MAY LENG

METECH GLOBAL (SHANGHAI) CO LTD

General Manager	YANG JIYE
Finance Controller	SAMANTHA HUA

METECH RECYCLING (MALAYSIA) SDN BHD

General Manager	LAU CHIN GUAN
Finance Controller	CHAN MAY LENG

METECH REVERSLOG PTE LTD

General Manager	YANG JIYE
Finance Controller	LING EE DEE

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board” or the “Directors”) of Metech International Limited (the “Company” and together with its subsidiaries, the “Group”) is committed to achieving and maintaining a high standard of corporate governance within the Group. The Company recognises that good corporate governance provides the foundation for growth and enhancing investors’ confidence. The Board is committed to observing closely the principles in the Code of Corporate Governance 2012 (the “Code”) and to continually reviewing and improving its practices.

This report describes the corporate governance practices of the Company for the financial year ended 30 June 2017 (“FY2017”). Where applicable, deviances from the Code have been explained.

BOARD MATTERS

The Board’s Conduct of Affairs (Principle 1)

In the course of FY2017, the Board has worked diligently to fulfil their primary responsibilities which are as follows:–

- Provide leadership, set strategic directions and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- Ensure that a framework of prudent and effective controls is available to enable risks to be assessed and managed, including the safeguarding of shareholders’ interests and the Company’s assets;
- Review and guide the performance of the Management Team;
- Ensure that the Company’s values and standards are upheld and that obligations to shareholders and other stakeholders are met; and
- Consider sustainability issues as part of its strategy formulation.

The Board comprises the following members:–

- Mr. Simon Eng – Executive Director and Chairman
- Mr. Andrew Eng – Executive Director and Chief Executive Officer (“CEO”)
- Mr. Derek Loh – Independent, Non-executive Director
- Mr. Francis Lee – Independent, Non-executive Director
- Mr. Ricky Sim – Independent, Non-executive Director

To the best of their abilities, all the Directors have objectively discharged their duties and responsibilities as fiduciaries in the interests of the Company at all times.

CORPORATE GOVERNANCE REPORT

To ensure effective discharge of its duties, the Board has the support of the following Board Committees:–

- Audit Committee ("AC")
  Mr. Francis Lee is the Chairman of the Audit Committee with Mr. Derek Loh and Mr. Ricky Sim as members. All members of the AC are Independent, Non-executive Directors.

- Nominating Committee ("NC")
  Mr. Ricky Sim is the Chairman of the Nominating Committee with Mr. Francis Lee and Mr. Derek Loh as members. All members of the NC are Independent, Non-executive Directors. The NC Chairman has no direct association with any substantial shareholder.

- Remuneration Committee ("RC")
  Mr. Derek Loh is the Chairman of the Remuneration Committee with Mr. Francis Lee and Mr. Ricky Sim as members. All members of the RC are Independent, Non-executive Directors.

These Committees function within clearly defined terms of references, which are reviewed on a periodic basis by the Board. The effectiveness of the Committees is also closely monitored and reviewed by the Board.

In line with the recent changes of the Companies Act, Chapter 50 ("Companies Act"), all references to the Memorandum and Articles of Association will be superseded with Constitution and Regulation.

The following table shows the attendance of the Directors at the meetings of the Board and Board Committees in FY2017.

	Board	**Audit Committee**	**Remuneration Committee**	**Nominating Committee**
No of meetings held	4	4	1	1
Directors		**Number of Meetings Attended**		
Mr. Simon Eng	4	NA	NA	NA
Mr. Andrew Eng	4	NA	NA	NA
Mr. Derek Loh	4	4	0	0
Mr. Francis Lee	4	4	1	1
Mr. Ricky Sim	4	4	1	1

Dates for Board Meetings, Board Committee Meetings and the Annual General Meeting ("AGM") are scheduled at least one year in advance in close consultation with the Directors. This is to facilitate their attendance at the meetings. If they are unable to be physically present for the meetings, tele- and video-conferencing facilities are arranged for them so that they can participate in the meetings, which is allowed for under the Company's Constitution. Besides formal meetings, decisions of the Board and Board Committees are also obtained via circular resolutions.

CORPORATE GOVERNANCE REPORT

Board Meetings are held on a quarterly basis as a minimum to review and approve the release of the quarterly financial results and discuss reports from the Management Team on the performance of the Company and its plans. Additional meetings may be held if there are urgent issues to discuss and consider. The Chairman makes it a point to encourage the Directors to voice their views freely during discussions on proposals and plans that are put forward for the Board's consideration and approval. To ensure adequate independent views, it is a practice for all Board Meetings to require at least one independent director to be present as part of the quorum.

The Company has in place internal guidelines which specify the corporate matters that require the approval of the Board. They include the following:–

- Approval of financial results and all announcements;
- Approval of the annual report and accounts;
- Declaration of interim and/or proposal of final dividends;
- Authorisation of new banking facilities;
- Approval of change in corporate strategy;
- Convening of shareholders' meeting; and
- Approval of acquisitions and disposals and funding of investments.

The Company has also devised and adopted a set of internal controls and guidelines that set out the financial authorisation regime and approval limits for borrowings, including off-balance sheet commitments, investments, acquisitions, disposals, capital and operating expenditures, requisitions and expenses. Under the financial authorisation regime and approval limits, approval sub-limits are provided at management levels to facilitate operational efficiency.

At the point of appointment, the Executive Directors will brief the newly-appointed Directors on their statutory duties and responsibilities as Directors of the Board. They are also given relevant material on the Company to peruse so that they understand the Company's history, Company's strategic directions and the industry sector that the Company operates in, including industry knowledge, regulatory requirements, and corporate and governance practices. The Directors are also given ample opportunities to visit the Company's operational facilities and meet up with the Management Team to gain a better insight and understanding of the Company's operations.

A formal letter of appointment will also be given to every newly-appointed Director upon their appointment explaining, among other matters, their roles, obligations, duties and responsibilities as a member of the Board. The Directors are also encouraged to attend training courses, seminars and forums, especially those organised by the Singapore Institute of Directors, to keep themselves abreast of developments such as changes to relevant accounting standards and practices, and laws and regulations.

CORPORATE GOVERNANCE REPORT

Board Composition and Guidance (Principle 2)

The current Board is a small but effective five-member team which comprises two Executive Directors and three Independent, Non-executive Directors. There is a strong and independent element on the Board with Independent Directors making up at least half of the Board and the Board is comfortably assured that discussions and the decision-making process will be objective. None of the Independent Directors have served on the Board beyond nine years from the date of their first appointment.

The Board has adhered to the definition in the Code of what constitutes an Independent Director in assessing the independence of each director. The NC is fully satisfied that all Independent Directors on the Board are wholly independent in character and judgement and are not in any relationships and circumstances as described in the Code that may affect their judgement. The profiles of the Directors are as set out in the Board of Directors Section of this Annual Report.

The Independent, Non-executive Directors of the Company are aware of their roles on the Board. They know to constructively challenge and help develop strategies for the Company. They also help to review the performance of the Management Team in meeting set targets and objectives and monitor the reporting of performance. Whenever necessary, the Independent, Non-executive Directors do come together to discuss issues without the presence of the Management Team.

In appointing Directors to the Board, the Board takes into consideration the background, skill-sets and past experience of the candidate and whether the candidate is able to contribute to the growth of the Company. The NC is of the view that the current Board has the right mix of talent with proven track records in business, government, finance and the legal field to lead the Company. The Board will continually review its composition and size to ensure optimal balance in the membership of the Board.

Chairman and Chief Executive Officer (Principle 3)

Mr. Simon Eng has been the Chairman of the Board since 10 Nov 2014. He has served previously on a number of boards, including in the capacity of Chairman. Drawing on his past experience, Mr. Simon Eng has been able to create a culture of openness and sharing on the Board. He sets the agenda for the meetings and always makes it a point that the Directors are given enough time to peruse the board papers before the meetings. Using a variety of means including personal calls to the Directors, he is in constant touch with them, to keep them timely updated and apprised of key developments in the Company.

Mr. Andrew Eng, the brother of Mr. Simon Eng, has been the Group's CEO since 2011, except for the brief period from 1 July till 30 November 2015 when he was stationed in the United States to personally take charge of the restructuring of the Company's largest subsidiary there. As the Group's CEO, he is responsible for the execution of the strategic directions set by the Board and thus has overall responsibility for the management and performance of the Company. He is supported by the Group Financial Controller ("GFC") of the Company and other members of the Management Team, none of whom is related to one another.

CORPORATE GOVERNANCE REPORT

Considering that Mr. Simon Eng and Mr. Andrew Eng are immediate family members, it is of vital importance to the Company that Mr. Derek Loh is available to perform the role of Lead Independent Director. Mr. Derek Loh has been the Lead Independent Director since 24 October 2013. As the Lead Independent Director, shareholders of the Company can approach him whenever they have concerns which are not appropriate or possible to be brought up through the normal channels of the Chairman, CEO or GFC. Led by the Lead Independent Director, the Independent Directors meet amongst themselves to discuss matters such as this, following which the Lead Independent Director will apprise the Board, if necessary.

The Board is of the view that there is a sufficiently strong and independent presence on the Board to ensure discussions and decision-makings are objective and transparent. This is evident from the current number of Independent, Non-executive Directors on the Board which outnumbers the Executive Directors by 3 to 2. The appointment of a Lead Independent Director also serves to add weight to the independent voices on the Board. In addition, all members of the NC, RC and AC are Independent, Non-executive Directors.

Board Membership (Principle 4)

According to the provisions in the Company's Constitution, one-third of the Directors are required to retire and subject themselves to re-election by shareholders at every AGM. The Company's Constitution also requires that the Directors individually retire once every three years and subject themselves to the same re-election process, except the Executive Director serving as CEO, as the appointment is considered an important position that ensures continuity and the smooth operation of the Group.

It is the duty of the NC, which is made up completely of Independent, Non-executive Directors, to review and consider the retirement and re-election of Directors prior to seeking shareholders' approval for their re-appointment at the AGM. The NC works within the terms of reference that have been approved by the Board. Its other duties are as follows:–

- Establish the criteria and desirable attributes of new appointees to the Board;
- Identify and short-list candidates;
- Put up recommendations to the Board on all Board appointments;
- Put up recommendations on all nominations of Directors annually as guided by the Code;
- Assess the performance of the Board as a whole, as well as the contribution of each Director to the effectiveness of the Board; and
- Conduct annual reviews of the independence of each Director based on the criteria set out in the Code.

The criteria for the appointment of a director are driven by the need to position and shape the Board in line with the needs of the Group and its vision, mission and business goals. The Board, with the help of the NC, looks into the background, skill-sets, career experience and professional qualifications of a candidate to determine whether he or she is able to contribute to the growth of the Group. The Board places particular attention on his or her past achievements to see whether they can enhance the quality and robustness of decision-making on the Board.

CORPORATE GOVERNANCE REPORT

Besides the individual attributes, the following factors will also determine the suitability of a candidate:–

- The geographical reach and diversity of the Group's businesses;
- The strategic direction and progress of the Group;
- The current composition of the Board; and
- The need for independence.

Though some of the Board members have multiple board representations, the NC is satisfied that the numbers are currently manageable and the Directors are still able to devote sufficient time and attention to the Company. The Board has not set the maximum number of listed company board representations that a Director may hold because the Board feels that setting such a limit would not be meaningful. The Board and NC believe a more holistic way of assessment would be to look at the contributions of the Directors based on factors such as attendance and time commitment to the affairs of the Company.

Pursuant to the Company's Constitution, Mr. Derek Loh is retiring by rotation and will submit himself for retirement and re-election by shareholders at the forthcoming AGM. Mr. Derek Loh, being the member of the NC who is retiring at the AGM, abstained from voting on the resolution in respect of his re-appointment as a Director.

Board Members

Directors	Position	Date of First Appointment	Date of Last Re-election	Nature of Appointment
Mr. Simon Eng	Chairman	10 Nov 2014	28 Oct 2015	Non-independent, Executive
Mr. Andrew Eng	Director (CEO)	1 Sep 2012	19 Oct 2012	Non-independent, Executive
Mr. Derek Loh[1]	Director	10 Feb 2010	28 Oct 2015	Independent, Non-executive
Mr. Francis Lee	Director	1 Aug 2012	27 Oct 2016	Independent, Non-executive
Mr. Ricky Sim	Director	1 Jul 2015	28 Oct 2015	Independent, Non-executive

[1] Due for re-election at forthcoming AGM

The NC, after reviewing the confirmation of independence by the Independent Directors, is assured that they are independent pursuant to Guideline 2.3 and 2.4 of the Code.

No alternate director has being appointed to the Board.

Board Performance (Principle 5)

The Board has in place an annual assessment exercise for the Directors to assess the effectiveness of the Board as well as their own individual performance on the Board and Board Committees. Both assessments require the Directors to score against a list of outcomes that appear on the assessment forms. The results of the former assessment are then openly discussed and reviewed at the NC meeting, while the results of the latter are meant more for the individual Directors to reflect on. The final outcome of the former assessment will be an improvement plan, focusing mainly on those areas with low scores.

CORPORATE GOVERNANCE REPORT

The assessment form to rate the effectiveness of the Board covers a total of 14 outcomes. The questions range from very fundamental issues such as whether the Board has a full and common understanding of the roles and responsibilities of a board to very operational issues such as whether the Board has approved a succession plan for the CEO and senior members of the Management Team. The Directors are required to give their assessment based on a five-grade-scale ranging from “Poor” to “Very Good” to each and every outcome, which are then tallied and averaged out to give the overall view of the Board on each of the specific outcomes.

The self-appraisal assessment form for the individual Directors to rate their personal performances on the Board and Committees contains a list of 10 outcomes. The 10 outcomes cover wide-ranging areas such as leadership, contribution and participation in meetings, keeping abreast of industry developments and maintenance of independence.

Based on the Board’s and NC’s assessment and review, the Board and Board Committees have operated effectively and each Director has contributed to the effectiveness of the Board and Committees.

Access to Information (Principle 6)

The Directors are periodically furnished with information concerning the Group so that they are kept up to date on the performance of the Group, and the decisions and actions taken by the Management Team. Generally, the Directors have unrestricted access to the Company’s records and the full authority to consult directly with any member of the Management team, as and when they deem necessary.

Board and committee papers are circulated to the Directors ahead of meetings to allow them adequate time to read and reflect on the issues. The CEO personally ensures that these papers contain all the necessary facts and figures to allow thorough deliberation and discussion of the issues at the meetings. Where necessary, other members of the Management Team or external consultants engaged for a specific project will be invited to the meetings to answer queries and provide additional information.

During the quarterly review of financial results, the GFC is always present to personally answer any queries that the Board might have. Furthermore, internal procedures are in place to allow each member of the Board reviewing the interim financial statements to immediately raise any material information known to him or her which may render the interim financial results to be false or misleading prior to their release on SGXNet. Whenever such adverse issues are raised, especially those that may affect the financial results in a material way, necessary actions will be taken to allow time for further investigation and review.

The Directors have separate and independent access to the Company Secretary, who is responsible to the Board for ensuring that established procedures, and relevant statutes and regulations are complied with. The Company Secretary is required to be present at all Board Meetings, and whose appointment and removal requires the approval of the Board.

The Directors, in furtherance of their duties, can seek legal and other independent professional advice concerning any aspect of the Group’s operations or undertakings which will be borne by the Company.

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies (Principle 7)

Level and Mix of Remuneration (Principle 8)

Disclosure of Remuneration (Principle 9)

The remuneration policy of the Company is to offer compensation packages that are at least pegged to market rates and reward good performances. The adopted principle is that the remuneration packages have to be attractive in order to attract, retain and motivate directors, executives and managers. The size of the remuneration packages takes into account the performance of the Company and the individuals.

The RC is responsible to recommend to the Board a framework of remuneration for the Directors and top management, including specific remuneration packages for the Executive Directors. All forms of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options and benefits in kind, are considered by the RC. In devising the packages, the RC is aware that termination clauses, wherever applicable, have to be fair, and not overly generous. To enable it to carry out its duties well, the RC has the option to engage external human resource consultants.

Both Executive Directors, Mr. Simon Eng, the Chairman of the Board, and Mr. Andrew Eng, the President and CEO of the Group, do not receive any director's fee. Their remuneration packages comprise a basic salary component and a variable component in the form of a bonus that is paid only if the Company and the individuals are able to meet set targets.

Non-executive Directors are paid a director's fee that is based on a fee structure which takes into consideration their level of responsibilities. The fee structure comprises a basic fee component and an allowance component based on their appointment on the Board and Board Committees. Director's fees are subject to approval by shareholders at the AGM.

The remuneration of the Directors and members of the top management in FY2017 is presented in bands of "below S$150,000" and "S$250,000 to S$500,000". After much deliberation, the Board is of the opinion that a full disclosure of the specific remuneration is not in the best interest of the Company or its shareholders. Due to the competitive business environment and the confidential nature of remuneration matters, a full disclosure of the specific remuneration may have a negative impact on the Company in attracting and retaining talent at the Board and top management level. The Board is of the view that the current format of disclosure is sufficient indication of the remuneration packages of the Directors and top management.

The total fees paid out to Directors in FY2017 was S$93,000. The fees were derived in accordance with the fee and allowance structure below:–

Board of Directors	**FY2017**	**FY2016**
Basic Fee	S$25,000	S$25,000
Chairman's Allowance	S$10,000	S$10,000

CORPORATE GOVERNANCE REPORT

Allowances for Members of Board Committees

Audit Committee Chairman's Allowance	S$8,000	S$8,000
Other Committee Chairman's Allowance	S$2,000	S$2,000
Committee's Member's Allowance	S$1,000	S$1,000

Breakdown of Directors' Remuneration for FY2017

Name	Remuneration Band	Salary	Bonus[1]	Director's Fees	Other Benefits	Total
Simon Eng	Below S$150,000	93	7	–	–	100
Andrew Eng	S$250,000 to S$500,000	93	7	–	–	100
Derek Loh	Below S$150,000	–	–	100	–	100
Francis Lee	Below S$150,000	–	–	100	–	100
Ricky Sim	Below S$150,000	–	–	100	–	100

[1] Comprising the 13th Month Annual Wage Supplement.

The total remuneration paid out to top management in FY2017 was S$549,574. Other than Mr. Simon Eng and Mr. Andrew Eng, who are brothers, none of the employees in the Company whose remuneration exceeded S$50,000 in FY2017 was an immediate family member of any of the Directors in FY2017.

Breakdown of Top Management's Remuneration for FY2017

Name	Remuneration Band	Salary	Bonus[1]	Fees	Other Benefits	Total
Mr. Simon Eng	Below S$150,000	93	7	–	–	100
Mr. Andrew Eng	S$250,000 to S$500,000	93	7	–	–	100
Ms. Samantha Hua	Below S$150,000	74	5	–	21	100

[1] Comprising the 13th Month Annual Wage Supplement.

The Company incentivises its top management through the Metech International Limited Performance Share Plan. There are no long-term incentive schemes and contractual provisions been implemented for the Executive Directors and top management.

The Company's Metech International Limited Employee Share Option Scheme ("MIL-ESOS") has been in existence since 2013. The objective of MIL-ESOS is to motivate employees of the Group to optimise their performance standards and efficiency.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Accountability (Principle 10)

The Board is accountable to the shareholders and other stakeholders, while the Management Team is accountable to the Board. In this regard, it is the Board's responsibility, and also that of the Management Team, to provide a balanced and easy-to-understand assessment of the Group's performance, position and prospects to shareholders and other stakeholders. This responsibility extends to price-sensitive public reports as well as reports to regulators, if required.

The Company has procured Appendix 7H (Form of Undertaking with Regard to Directors or Executive Officers) pursuant to Rule 720(1) of Catalist Rules from all the Directors and Executive Officer of the Company.

The Board adheres to legislative and regulatory requirements, including requirements of Section B: Rules of Catalist of the Listing Manual (the "Listing Manual") of the Singapore Exchange Securities Trading Limited's ("SGX-ST") with regards to such transparency. Its aim is to inform shareholders of the performance of the Group on a regular and timely manner, which the Board believes would also further enhance the Company's relationships with investors and the media.

The Executive Directors are provided with detailed management accounts of the Company's performance, position and prospects on a monthly basis by the Management Team. Where there is any material deviation, all members of the Board will be informed immediately. Any Director on the Board can also request to see the management accounts at any time to their convenience.

Risk Management and Internal Controls (Principle 11)

The Board acknowledges that it is responsible for the overall internal control framework of the Company, but it also recognizes that no internal control system can preclude all errors and irregularities. The Board is thus able to provide reasonable but not absolute assurance against material misstatement or loss. Hence, the system of internal controls is designed to manage rather than eliminate the risk of failure.

For FY2017, the Board has received assurances from the CEO and the GFC that the financial records of the Company had been properly maintained and the Company's financial statements gave a true and fair view of the Company's operations and finances, and the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls, are adequate and effective.

During the financial reporting period, the AC, on behalf of the Board, reviews internal and external audit reports relating to the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls. It also reviews the effectiveness of the actions taken by the Management Team on the recommendations made by external auditors in this respect.

Based on the internal controls established and maintained, internal audits, reviews by the Management Team, and the statutory audit by the external auditors, the Board and AC are of the opinion that the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls, are adequate and effective.

CORPORATE GOVERNANCE REPORT

Audit Committee (Principle 12)

In carrying out its duties, the AC is guided by the Guidebook for Audit Committees in Singapore. It also has its own terms of reference that set out its duties and responsibilities in assisting the Board to maintain a high standard of Corporate Governance, particularly by providing an independent review of the effectiveness of the financial reporting, management of financial and control risks, and monitoring of the internal control systems. The AC has power to conduct or authorise investigations into any matter within its scope of responsibility. It is also given reasonable resources to enable it to perform its function properly.

The AC held four meetings in FY2017. The Executive Directors and the GFC were present at all the meetings, while the external auditors attended on two occasions.

The Board is of the view that the members of the AC are appropriately qualified to discharge their responsibilities which are as follows:–

- To review and evaluate the financial and operating results and accounting policies;

- To review audit plans and scope of audit examination of the external audit and their evaluation of the system of internal accounting controls arising from the audit and Reports to the Audit Committee and matters which the external auditors wish to raise;

- To review the annual and quarterly financial statements and announcements to shareholders before submission to the Board for adoption;

- To review the transactions falling within the scope of Chapter 9 of the Listing Manual; and where necessary, reviews and seeks approval for interested person transactions ("IPT");

- To review the non-audit services provided by the external auditors and whether the provision of such services affects their independence; and

- To consider the appointment and re-appointments of external auditors and matters relating to the resignation of dismissal of external auditors.

The AC meets with the Company's external auditors to review accounting, auditing and financial reporting matters. The AC has full access to the Management Team and the full discretion to invite any member of the Management Team to attend its meetings, as well as reasonable resources to enable it to discharge its function properly. In FY2017 the AC met on one occasion with the external auditors without the presence of the Management Team.

In FY2017 the Company appointed Moore Stephens LLP as its external auditors to meet its obligations, having paid regards to the adequacy and experience of the firm and the audit engagement partner assigned to the audit. The Company confirmed that Rule 712 of the Listing Manual has been complied with.

CORPORATE GOVERNANCE REPORT

The auditors of the Company's subsidiaries are disclosed in Note 11 of the Financial Statements in this Annual Report. The Board and the AC have considered and confirmed that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Company. Accordingly, Rule 716 of the Listing Manual is complied with. The Board and the AC also noted that adequate information had been received by its auditors from these significant foreign subsidiaries for the purpose of its audit of the Group's financial statements.

For FY2017, the AC has reviewed the following two key audit matters highlighted by the external auditors:–

Key Audit Matter	Action by Audit Committee
Revenue recognition for sale of goods – S$112.7 million	The Audit Committee reviewed the methodology and gained comfort in this area through discussion with the Group Financial Controller in relation to the operation of key financial controls such as cash and revenue reconciliations, as well as the application of appropriate controls relating to revenue cut off. The Committee also obtained an understanding on the work performed by the external auditors, including their assessment of the key controls in operation, in relation to the internal control systems. As a result of the above procedures, the Committee was satisfied that the correct accounting treatment has been adopted and consistently applied in the financial statements to ensure the completeness and accuracy of reported revenue.
Valuation of inventories	The Audit Committee assessed the reasonableness of the valuation of the inventories and key controls in relation to the area of inventories. The Committee also reviewed the key assumptions applied in the assessment of stock valuation in accordance with the Standards. In addition, the Committee discussed with the external auditors on their review of the reasonableness and relevance of the assumptions used in the impairment assessment and the sensitivity analysis performed. Following these discussions, the Committee noted that the auditors had no material findings in this aspect. The above procedures provided the Committee with the assurance and concurred with the Management's conclusion that inventories are appropriately stated at the lower of cost and net realisable value, and that the disclosures in the financial statements were appropriate.

The AC noted that the external auditor will be paid $162,000 for its audit service for FY2017. The AC has also undertaken a review of all non-audit services provided by the auditors and noted that they did not provide any non-audit service in FY2017.

CORPORATE GOVERNANCE REPORT

The AC has reviewed the performance of Moore Stephens LLP and recommended to the Board its re-appointment at the forthcoming AGM of the Company, after having been satisfied with its standard of audit, independence and objectivity.

The AC monitors the whistle-blowing framework that has been put in place in the Company, which provides guidelines and procedures for the employees of the Group or any other persons to raise concerns regarding matters of suspected fraud, corruption, dishonest practices or other similar breaches regarding accounting, financial and audit matters, as well as alleged irregularities and violation of a general, operational and financial nature against the Company or against any applicable law, and other matters, and ensures that arrangements are in place for independent investigation of such matters and appropriate follow-up actions. All employees have been informed to direct such concerns to the Company Secretary.

Internal Audit (Principle 13)

The AC reviews the internal audit activities on a quarterly basis including overseeing and monitoring the implementation of the improvements required on any internal control weaknesses that are surfaced. The AC ensures that the internal audit function is adequately resourced and has appropriate standing within the Company.

The Company's Internal Audit Unit ("IAU") reports primarily to the AC Chairman and also administratively to the CEO. Where necessary, the IAU may engage outsourced resources to carry out its duties. The IAU is responsible for the Company's Enterprise Risk Management and Internal Control System ("EnRiMICS") which was set up to manage the risk exposure of the Company. Besides conducting regular internal audit checks on entities within the Group, the IAU is responsible to ensure that the current set of enterprise risks and internal control measures are up to date. The IAU has unfettered access to all of the Company's documents, records, properties and personnel, including access to the AC.

The AC and the Board review the adequacy and effectiveness of the internal audit function on an annual basis and are satisfied with it.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES
Shareholders Rights (Principle 14)
Communication with Shareholders (Principle 15)
Conduct of Shareholder Meetings (Principle 16)

The Company is committed to treating all shareholders of the Company fairly and equitably to facilitate their ownership rights. The Company recognises and strives to protect and facilitate the exercise of shareholders' rights, and will continually review and update such governance arrangements.

The Board believes in timely and accurate dissemination of information to its shareholders and does not engage in selective disclosure. The Company adheres strictly to the continuous disclosure obligations of the Company pursuant to the Corporate Disclosure Policy of SGX-ST. Announcements on financial results, major changes to the composition of the Board, changes to interest of Directors and substantial holders, major developments in the Company, annual reports, notices and circulars of general meetings and extraordinary meetings and

CORPORATE GOVERNANCE REPORT

other stipulated disclosures are made through SGXNet. This and other information on the Company can also be found on the Company's website at www.metechinternational.com where shareholders are able to access freely and at any time to their convenience.

As the Board is accountable to the shareholders, it is the aim of the Board to provide shareholders with a balanced and easy-to-understand assessment of the Company's performance, position and prospects when presenting financial and other price sensitive public reports, and reports to regulators, if required.

Annual reports are prepared and issued to all shareholders. The Board makes every effort to ensure that the annual report includes all the relevant information about the Company, including future developments and other disclosures required by the Listing Manual, Companies Act and Singapore Financial Reporting Standards.

The AGM is the principal forum for dialogue with shareholders. The Company encourages its shareholders to attend the AGM to ensure a high level of accountability and to stay informed of the Company's performance and plans. The Company's Constitution allows a shareholder to appoint one or two proxies to attend and vote on his or her behalf.

The Board welcomes questions and views of shareholders on matters pertaining to the Company before and during an AGM. The Directors will always strive to attend the AGM to meet the shareholders and address their concerns, in particular, the Chairman of the Board and the Chairman of the AC, NC and RC. External auditors are also always present at the AGM to address queries pertaining to the conduct of audit and the preparation and content of the Auditors' Report. In fact, all the Directors and external auditors were present at the last AGM.

Effective from the AGM in 2015, all resolutions are put to a vote by poll and detailed results showing the number of votes cast for and against each resolution and the respective percentages are announced. On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "Relevant Intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant Intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors. With this amended legislation, the Company allows relevant intermediaries to appoint more than two proxies to attend the Company's general meetings.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends to be declared each year will take into consideration the Group's profit growth, cash position, positive cash generated from operations, projected capital requirements for business growth and other factors the Board may deem appropriate. Based on these factors, the Board does not recommend any payment of dividends for FY2017.

DEALING IN SECURITIES

With respect to Rule 1204(19) of the Listing Manual, the Company has a set of internal guidelines to provide guidance to the Directors and employees of the Group on their dealings in the Company's securities, as well as the implications of insider trading.

CORPORATE GOVERNANCE REPORT

The Company prohibits its Directors and employees from dealing in the Company's securities for the period commencing two weeks prior to the announcement of the Company's financial results for the first three quarters of the financial year and one month prior to the announcement of the full year results and ending on the date of the announcement of the relevant results.

Reminders were emailed to all Directors and employees of the above ruling before the commencement of the respective periods. In the same emails, they were also reminded not to deal in the Company's securities when they are in possession of any potentially price-sensitive information which have not been announced or on short-term considerations.

INTERESTED PERSON TRANSACTIONS

The Company's internal policy with respect of any transaction with interested persons ("IPT") sets out the procedures for review and approval of such IPTs. When a potential conflict of interest arises, the Directors concerned do not participate in discussions and refrain from exercising any influence over other members of the Board. Prior to entry by the Company into an IPT, the Board and AC will review such a transaction to ensure that the relevant rules under Chapter 9 of the Listing Manual are complied with.

In FY2017 there were no IPTs involving transactions of more than S$100,000 and the Company did not seek shareholders' mandate pursuant to Rule 920 of the Listing Manual.

MATERIAL CONTRACTS

With respect to Rule 1204(8) of the Catalist Rules, the Company did not enter into any material contracts involving the interests of any Directors or any controlling shareholders of the Company or its associates in FY2017.

NON-SPONSOR FEES

With respect to Rule 1204(21) of the Catalist Rules, there were no non-sponsor fees paid to the Company's sponsor, RHT Capital Pte Ltd, in FY2017.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

The directors present their statement to the members together with the audited consolidated financial statements of Metech International Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 30 June 2017 and the statement of financial position of the Company as at 30 June 2017.

In the opinion of the directors:

(a) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 30 June 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due as discussed in Note 2(b) to the financial statements.

1 DIRECTORS

The directors of the Company in office at the date of this statement are:

Simon Eng	*Executive Director*
Andrew Eng	*Executive Director*
Derek Loh	*Independent, Non-executive Director*
Francis Lee	*Independent, Non-executive Director*
Ricky Sim	*Independent, Non-executive Director*

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate, except as disclosed in this statement.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

3 DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, share options, warrants or debentures of the Company and/or of related corporations (other than wholly owned subsidiaries), are as follows:

	Shareholdings registered in the name of directors		Shareholdings in which directors are deemed to have an interest	
Name of Directors	At the beginning of the financial year	At the end of the financial year	At the beginning of the financial year	At the end of the financial year
<u>The Company</u>				
Number of ordinary shares				
Simon Eng	490,000,000	680,000,000	112,463,903	220,263,903
Andrew Eng	171,985,339	171,985,339	–	–
Number of warrants				
Simon Eng	251,689,441	251,689,441	37,504,959	134,904,959
Andrew Eng	17,328,446	17,328,446	–	–

There was no change in any of the above-mentioned interests at the end of the financial year and 21 July 2017.

By virtue of Section 7 of the Act, Simon Eng and Andrew Eng are deemed to have interests in the wholly owned subsidiaries of the Company.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company and/or of related corporations, either at the beginning of the financial year or at the end of the financial year.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

4 SHARE OPTIONS

Options Granted

During the financial year, no options to take up unissued shares of the Company or its subsidiaries were granted.

Options Exercised

During the financial year, there were no shares of the Company or its subsidiaries issued by virtue of the exercise of options to take up unissued shares.

Unissued Shares under Option

At the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

5 WARRANTS

The details of the outstanding warrants of the Company are as follows:

Financial year	At the beginning of the financial year	Warrants issued	Warrants exercised	Warrants expired	At the end of the financial year
2017	1,406,186,305	–	–	–	1,406,186,305
2016	–	1,406,186,305	–	–	1,406,186,305

On 5 October 2015, the Company had issued 1,406,186,305 warrants. These warrants are exercisable anytime but no later than the expiry date, 4 October 2017. The warrants entitle the warrant holder to subscribe for one new ordinary share of the Company at the exercise price of $0.004 per share. The warrants do not entitle the holders of the warrants, by virtue of such holdings, to any rights to participate in any share issue of the Company.

As announced subsequent to the financial year end, the Company allotted and issued a total of 182,420,255 new ordinary shares pursuant to the exercise of 182,420,255 warrants at the exercise price of S$0.004 per share by certain shareholders. Further details are disclosed in Note 30 to the financial statements.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

6 AUDIT COMMITTEE

The members of the Audit Committee ("AC") at the end of the financial year are as follows:

Francis Lee (Chairman)	*(Independent, Non-executive Director)*
Derek Loh	*(Independent, Non-executive Director)*
Ricky Sim	*(Independent, Non-executive Director)*

The AC performs the functions specified by Section 201B(5) of the Singapore Companies Act, Chapter 50, the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Code of Corporate Governance and assists the Board of Directors in the execution of its corporate governance responsibilities within its established terms of reference.

The duties of the AC, amongst other things, include:

(a) Review the audit plans of the internal and external auditors of the Company, and review the internal auditors' evaluation of the adequacy of the Group's/Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;

(b) Review the half-yearly announcement of financial statements and annual financial statements and the auditors' report on the annual consolidated financial statements of the Company and its subsidiaries before their submission to the Board of Directors;

(c) Review the effectiveness of the Group's/Company's material internal controls, including financial, operational, compliance and information technology controls and risk management via reviews carried out by the internal auditors;

(d) Meet with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

(e) Review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;

(f) Review the cost effectiveness and the independence and objectivity of the external auditors;

(g) Review the nature and extent of non-audit services provided by the external auditors;

(h) Recommend to the Board of Directors the external auditors to be nominated, approve the compensation of the external auditors and review the scope and results of audit;

(i) Report actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate;

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

6 AUDIT COMMITTEE (Continued)

(j) Review interested person transactions in accordance with the requirements of the Listing Manual Section B: Rules of Catalist of the SGX-ST; and

(k) To undertake such other functions and duties as may be agreed to by the AC and the Board of Directors.

The AC, having reviewed all non-audit services provided by the independent auditors to the Group is satisfied that the nature and extent of such services would not affect the independence of the independent auditors. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the current financial year with full attendance from all members. The AC has also met with the independent auditors, without the presence of the Company's management, at least once a year.

It is the opinion of the Board of Directors with the concurrence of the AC that the Group's internal controls including financial, operational, compliance and information technology controls, were adequate as at 30 June 2017.

Further details regarding the AC are disclosed in the Report on Corporate Governance included in the Company's Annual Report.

The AC has recommended to the Board of Directors the nomination of Moore Stephens LLP for their reappointment as independent auditors of the Company at the forthcoming Annual General Meeting.

7 INDEPENDENT AUDITORS

The auditors, Moore Stephens LLP, have expressed their willingness to accept reappointment.

On behalf of the Board of Directors,

....

Simon Eng
Director

....

Andrew Eng
Director

Singapore
22 September 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF METECH INTERNATIONAL LIMITED

(Incorporated in Singapore)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Metech International Limited (the "Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF METECH INTERNATIONAL LIMITED

(Incorporated in Singapore)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Key Audit Matters (Continued)

Key Audit Matter	**How our audit addressed the key audit matter**
Revenue recognition We refer to Note 2(s) and Note 4 to the consolidated financial statements. For the financial year ended 30 June 2017, revenue from the sale of goods continued to be the main revenue stream for the Group amounting to S$112,712,000. The Group recognises revenue from the sale of goods when significant risks and rewards of ownership of the goods have been transferred to the customer. We have identified a higher potential risk of misstatement associated with sales cut-off, particularly when the sales transactions are close to the year end. Given the materiality of revenue recognised in the overall consolidated financial statements of the Group, we have therefore determined revenue recognition as a key audit matter.	We obtained an understanding of the Group's revenue recognition process and considered the effectiveness of the internal controls over revenue cycle and tested the key controls. We tested samples from the sale of goods to assess whether the revenue is recognised in accordance with the Group's accounting policies and accurately recorded in the revenue accounts. We also reviewed journal entries posted to revenue accounts to identify if there are any unusual or irregular items. We performed sales cut-off test by inspecting the contractual and shipping terms of selected sales transactions close to the year end to assess whether the revenue is correctly recognised in the proper financial period. We found that revenue from sale of goods recognised was consistent with the Group's accounting policies and correctly recognised in the proper financial period.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF METECH INTERNATIONAL LIMITED

(Incorporated in Singapore)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Key Audit Matters (Continued)

Key Audit Matter	**How our audit addressed the key audit matter**
Valuation of inventories We refer to Note 2(m), Note 3(a)(i) and Note 14 to the consolidated financial statements. The Group records its inventories at the lower of cost and net realisable value. Changes in the economic and market condition and the corresponding effects on the demand for the Group's products may result in inventories that command selling prices below costs. As at 30 June 2017, the Group's inventories amounted to S$3,678,000 included certain inventories written down to their net realisable values amounting to S$1,433,000. Significant management judgement is required for the estimation of the net realisable value. The estimation is made after taking into consideration the current and expected market demand, pricing competition and the prevailing average market prices of precious metals. We have therefore determined the valuation of inventories as a key audit matter.	We evaluated the appropriateness of management's basis of assessing the estimated net realisable value for inventories. We also assessed the determination of net realisable value for selected inventory samples by comparing them to the latest unit selling prices or to the prevailing average market prices of precious metals subsequent to the year end. We subsequently evaluated the adequacy of management's write-downs of inventories to lower of cost and net realisable value. We found that the results of our evaluation of the Group's valuation of inventories to be consistent with management's assessment.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF METECH INTERNATIONAL LIMITED

(Incorporated in Singapore)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report on pages 1 to 109, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF METECH INTERNATIONAL LIMITED

(Incorporated in Singapore)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF METECH INTERNATIONAL LIMITED

(Incorporated in Singapore)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr Ng Chiou Gee Willy.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
22 September 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	Group 2017 S$'000	Group 2016 S$'000
Revenue	4	**120,462**	40,601
Cost of sales		**(114,894)**	(42,498)
Gross profit/(loss)		**5,568**	(1,897)
Other income	5	**2,325**	3,624
Other expenses		**(614)**	(2,706)
Distribution expenses		**(1,284)**	(1,142)
Administrative expenses		**(4,953)**	(4,866)
Finance costs	6	**(122)**	(105)
Profit/(Loss) before income tax	7	**920**	(7,092)
Income tax	8	**(47)**	(5)
Profit/(Loss) for the year		**873**	(7,097)
Other comprehensive income, net of income tax:			
Items that may be reclassified subsequently to profit or loss			
– Exchange differences on translation		**(11)**	(93)
Total comprehensive income/(loss) for the year attributable to owners of the Company		**862**	(7,190)
Earnings/(Loss) per share attributable to the owners of the Company			
Basic and diluted earnings/(loss) per share (S$ cents)	9	**0.021**	(0.184)

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	Group 2017 S$'000	Group 2016 S$'000	Company 2017 S$'000	Company 2016 S$'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	10	**2,146**	2,215	**9**	13
Investments in subsidiaries	11	**–**	–	**700**	800
Restricted cash held in trust	12	**326**	326	**–**	–
Trade and other receivables	13	**–**	–	**9,325**	8,603
Other financial assets	15	**–**	511	**–**	511
		2,472	3,052	**10,034**	9,927
Current Assets					
Inventories	14	**3,678**	2,806	**–**	–
Trade and other receivables	13	**15,140**	7,580	**585**	651
Cash and cash equivalents	16	**3,742**	3,029	**180**	116
		22,560	13,415	**765**	767
Total Assets		**25,032**	16,467	**10,799**	10,694
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	17	**176,346**	176,346	**176,346**	176,346
Other reserves	18	**270**	281	**–**	–
Accumulated losses		**(165,958)**	(166,831)	**(168,657)**	(166,477)
Total Equity		**10,658**	9,796	**7,689**	9,869
LIABILITIES					
Non-Current Liabilities					
Trade and other payables	19	**34**	–	**–**	–
Provisions	20	**78**	–	**–**	–
Finance lease liabilities	21	**81**	122	**–**	–
Non-convertible bond	22	**1,000**	–	**1,000**	–
		1,193	122	**1,000**	–
Current Liabilities					
Trade and other payables	19	**12,021**	5,179	**1,110**	825
Provisions	20	**82**	1,329	**–**	–
Finance lease liabilities	21	**41**	41	**–**	–
Non-convertible bond	22	**1,000**	–	**1,000**	–
Income tax payable		**37**	–	**–**	–
		13,181	6,549	**2,110**	825
Total Liabilities		**14,374**	6,671	**3,110**	825
Total Equity and Liabilities		**25,032**	16,467	**10,799**	10,694

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Share capital S$'000	Translation reserve S$'000	Accumulated losses S$'000	Total equity S$'000
Group				
2017				
At 1 July 2016	**176,346**	**281**	**(166,831)**	**9,796**
Profit for the year	**–**	**–**	**873**	**873**
Other comprehensive income, net of income tax				
Exchange differences on translation	**–**	**(11)**	**–**	**(11)**
Total comprehensive (loss)/income for the year	**–**	**(11)**	**873**	**862**
At 30 June 2017	**176,346**	**270**	**(165,958)**	**10,658**
2016				
At 1 July 2015	172,335	374	(159,734)	12,975
Loss for the financial year	–	–	(7,097)	(7,097)
Other comprehensive income, net of income tax				
Exchange differences on translation	–	(93)	–	(93)
Total comprehensive loss for the year	–	(93)	(7,097)	(7,190)
Share placement	4,219	–	–	4,219
Share issue expenses	(208)	–	–	(208)
At 30 June 2016	176,346	281	(166,831)	9,796

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	Group 2017 S$'000	Group 2016 S$'000
Cash Flows from Operating Activities			
Profit/(Loss) before income tax		**920**	(7,092)
Adjustments for:			
Gain on disposal of property, plant and equipment		**(7)**	(194)
Allowance for impairment loss on other financial assets		**–**	177
Property, plant and equipment written off		**45**	818
Inventories written down to net realisable value	14	**82**	–
Reversal of inventories previously written down to net realisable value	14	**(12)**	(253)
Allowance for impairment loss on trade and other receivables		**–**	254
Reversal of allowance for impairment loss on property, plant and equipment		**(320)**	–
Reversal of allowance for impairment loss on trade and other receivables		**(136)**	(378)
Bad debts written off		**15**	27
Depreciation of property, plant and equipment		**690**	1,043
Interest expense		**122**	105
Interest income		**(27)**	(17)
(Reversal of)/Provision for restoration cost		**(90)**	250
Provision for fire incident cost		**–**	1,079
Unrealised loss/(gain) on investments in futures contracts		**107**	(34)
Unrealised foreign exchange gain		**–***	(267)
Operating cash flows before changes in working capital		**1,389**	(4,482)
Working capital changes:			
Trade and other receivables		**(7,541)**	780
Inventories		**(942)**	205
Cash encumbered		**–**	(11)
Trade and other payables		**5,903**	(1,861)
Cash used in operating activities		**(1,191)**	(5,369)
Interest received		**27**	17
Interest paid		**(122)**	(105)
Income tax paid		**(10)**	(5)
Net cash used in operating activities		**(1,296)**	(5,462)
Cash Flows from Investing Activities			
Proceeds from disposal of property, plant and equipment		**7**	4,624
Purchase of property, plant and equipment (Note A)		**(326)**	(738)
Proceeds from disposal of other financial assets		**418**	–
Purchase of other financial assets		**–**	(168)
Net cash generated from investing activities		**99**	3,718

* Less than S$1,000

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017
(Continued)

	Note	Group 2017 S$'000	Group 2016 S$'000
Cash Flows from Financing Activities			
Proceeds from share placement		**–**	4,219
Share issue expenses		**–**	(208)
Proceeds from issuance of non-convertible bond		**2,000**	–
Advances from a director		**183**	–
Repayment of advances from a director		**(183)**	–
Repayment of finance lease liabilities		**(41)**	(144)
Net cash generated from financing activities		**1,959**	3,867
Net increase in cash and cash equivalents		**762**	2,123
Effect of exchange rate changes on balances of cash held in foreign currencies		**(49)**	38
Cash and cash equivalents at the beginning of the year		**3,029**	868
Cash and cash equivalents at the end of the year	16	**3,742**	3,029

Note A

	Group 2017 S$'000	Group 2016 S$'000
Property, plant and equipment purchased during the year (Note 10)	**326**	912
Amount financed by hire purchase arrangements	**–**	(174)
Amount of cash paid	**326**	738

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

These notes form an integral part of, and should be read in conjunction with, the accompanying financial statements.

1 CORPORATE INFORMATION

Metech International Limited (the "Company") is incorporated and domiciled in Singapore with its principal place of business and registered office at 65 Tech Park Crescent Singapore 637787. The Company is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are primarily the provision of a one-stop recycling and processing service centre for the electronics industry and the trading of plastics and non-precious metal materials (Note 11).

The consolidated financial statements relate to the Company and its subsidiaries (collectively the "Group").

The financial statements for the financial year ended 30 June 2017 were authorised for issue by the Board of Directors on the date of the Directors' Statement.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The consolidated financial statements of the Group and the statement of financial position of the Company have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards ("FRS"). These financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the reporting dates, and the reported amounts of revenues and expenses during the relevant periods. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgment or complexity, are disclosed in Note 3.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Going Concern Assumption

For the financial year ended 30 June 2017, the Group has net cash used in operating activities amounted to S$1,296,000 (2016: S$5,462,000), and as of that date, the Company's current liabilities exceeded its current assets by S$1,345,000 (2016: S$58,000) and the Group and the Company has accumulated losses amounted to S$165,958,000 (2016: S$166,831,000) and S$168,657,000 (2016: S$166,477,000), respectively. These conditions indicate an uncertainty exists that may cast doubt on the ability of the Group and the Company to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business.

Notwithstanding the above, the directors of the Company believe that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 30 June 2017 is appropriate after taking into consideration the following factors:

(i) Management will continue to tighten their cost controls over the Group's operating expenses. Management has also prepared a cash flow projection that shows the Group will have adequate working capital for its operations for the next twelve months from 30 June 2017 and to meet its obligations as and when they fall due.

(ii) The Group has been successful in raising capital and obtaining addition funds for working capital. Management will continue to evaluate various strategies to improve the Group's operating performance and generate positive cash flows from its current business activities, including obtaining alternative sources of funds.

(c) Adoption of New/Revised Singapore Financial Reporting Standards

Adoption of New/Revised FRS that are effective

The accounting policies adopted are consistent with those of the previous financial year except that, in the current financial year, the Group has adopted all the new/revised FRS that are mandatorily effective for the said year and relevant to the Group:

		Effective for annual financial periods beginning on or after
Amendments to FRS 1	*Presentation of Financial Statements: Disclosure Initiative*	1 January 2016
Amendments to FRS 27	*Equity Method in Separate Financial Statements*	1 January 2016

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Adoption of New/Revised Singapore Financial Reporting Standards (Continued)

Adoption of New/Revised FRS that are effective (Continued)

The adoption of the amendments to FRS above did not result in substantial changes to the Group's accounting policies and had no significant impact on the financial performance of the Group or financial positions of the Group and the Company.

New/Revised FRS in issue but not yet effective

At the date of these financial statements, the following new/revised FRS that are relevant to the Group have been issued but are not yet effective:

		Effective for annual financial periods beginning on or after
Amendments to FRS 7	*Statement of Cash Flows*	1 January 2017
Amendments to FRS 12	*Income Taxes – Recognition of Deferred Tax assets for Unrealised Losses*	1 January 2017
FRS 112	*Disclosure of Interest in Other Entities*	1 January 2017
FRS 109	*Financial Instruments*	1 January 2018
FRS 115	*Revenue from Contracts with Customers*	1 January 2018
FRS 116	*Leases*	1 January 2019

Except for FRS 109, FRS 115 and FRS 116 described below, management anticipates that the adoption of the other new/revised FRS above in future periods will have no material impact on the financial statements in the period of initial application.

FRS 109 *Financial Instruments*

FRS 109 was introduced to replace FRS 39 *Financial Instruments: Recognition and Measurement*. FRS 109 changes the classification and measurement requirements for financial assets and liabilities, and also introduces a three-stage impairment model that will impair financial assets based on expected losses regardless of whether objective indicators of impairment have occurred. FRS 109 also provides a simplified hedge accounting model that will align more closely with companies' risk management strategies. FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is generally required, except that hedge accounting requirements are, with limited exemptions, applied prospectively. Comparative information need not be restated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Adoption of New/Revised Singapore Financial Reporting Standards (Continued)

New/Revised FRS in issue but not yet effective (Continued)

FRS 109 *Financial Instruments* (Continued)

The Group is currently evaluating the new standard and assessing the impact of the application of FRS 109 on the financial statements. The Group plans to apply the new standard on the required effective date.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments). FRS 115 replaces the previous revenue standards, FRS 18 *Revenue* and FRS 11 *Construction Contracts*, and the related interpretations on revenue recognition, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers*, and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied. Key issues to consider include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

The Group is currently evaluating the new standard and assessing the impact of the application of FRS 115 on the financial statements. The Group plans to apply the new standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Adoption of New/Revised Singapore Financial Reporting Standards (Continued)

New/Revised FRS in issue but not yet effective (Continued)

FRS 116 *Leases*

FRS 116 sets out a revised framework for the recognition, measurement, presentation and disclosure of leases, and replaces FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. FRS 116 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than twelve months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees. FRS 116 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted for companies but only if it also apply FRS 115 *Revenue from Contracts with Customers* at or before the date of initial application of FRS 116.

The Group is currently evaluating the new standard and assessing the impact of the application of FRS 116 on the financial statements. The Group plans to apply the new standard on the required effective date.

(d) Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Basis of Consolidation (Continued)

Subsidiaries (Continued)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary company begins when the Company obtains control over the subsidiary company and ceases when the Company loses control of the subsidiary company. Specifically, income and expenses of a subsidiary company acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Basis of Consolidation (Continued)

Business combination

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. The subsequent accounting for changes in the fair value of the contingent consideration depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary company, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary company and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary company are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary company (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRS). The fair value of any investment retained in the former subsidiary company at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, or when applicable, the cost on initial recognition of an investment in an associate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Foreign Currencies

Functional and presentation currency

The individual financial statements of each entity in the Group are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore Dollar, and all values are rounded to the nearest thousand ("S$'000") except when otherwise indicated, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rate of exchange prevailing on the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Translation of Group entities' financial statements

The results and financial position of each entity in the Group (none of which has the currency of a hyperinflationary economy) that has a functional currency different from the presentation currency for the consolidated financial statements are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing exchange rates at the end of the reporting period;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Foreign Currencies (Continued)

Translation of Group entities' financial statements (Continued)

- Income and expenses for each statements presenting profit and loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and

- All resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), are recognised in other comprehensive income and accumulated in the translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

(f) Property, Plant and Equipment

Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, Plant and Equipment (Continued)

Depreciation

Depreciation is charged so as to write off the cost of assets over their useful lives, using the straight-line method, on the following bases:

	Years
Leasehold properties	30 to 53.5 years
Plant and equipment	2 to 10 years
Furniture and fixtures	3 to 5 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Plant under construction represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction-in-progress consists of construction costs including other attributable direct costs and finance costs incurred during the period of construction.

Plant under construction is classified to the appropriate category of property, plant and equipment when completed and ready for use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amounts of the replaced components are recognised in profit or loss. All other costs of maintenance, repairs and minor improvements are recognised in profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, Plant and Equipment (Continued)

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the asset is derecognised.

(g) Investments in Subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the statement of financial position of the Company.

On disposal of investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

(h) Impairment of Non-Financial Assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment of Non-Financial Assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(i) Offsetting Financial Instruments

Financial assets and financial liabilities are offset and net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(j) Financial Assets

(i) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The designation of financial assets at fair value through profit or loss is irrevocable.

Financial assets carried at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling it in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy.

Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within twelve months after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial Assets (Continued)

(i) Classification (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They are presented as current assets, except for those expected to be realised later than twelve months after the reporting date which are presented as non-current assets.

Loans and receivables are presented as "trade and other receivables" (excluding prepayments) and "cash and cash equivalents" on the statement of financial position.

Financial assets, available-for-sale

Financial assets, available-for-sale, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within twelve months after the reporting date.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On derecognition of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is reclassified to profit or loss.

(iii) Initial and subsequent measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit and loss, which are recognised at fair value.

Transaction cost for financial assets at fair value through profit and loss is recognised immediately as expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial Assets (Continued)

(iv) Subsequent measurement

Financial assets, both available-for-sale and at fair value through profit or loss, are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

Interest and dividend income on available-for-sale financial assets are recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in the fair value reserve.

Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

(v) Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial Assets (Continued)

(v) *Impairment* (Continued)

Loans and receivables (Continued)

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

Financial assets, available-for-sale

In addition to the objective evidence of impairment described above, a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any objective evidence of impairment exists, the cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

(k) Financial Liabilities

The Group shall recognise a financial liability on its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Trade and other payables

Trade and other payables are initially measured at fair value and are subsequently carried at amortised cost using the effective interest method.

Borrowings

Borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to profit or loss over the period of the borrowings using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Liabilities (Continued)

Borrowings (Continued)

Borrowings which are due to be settled within twelve months after the statement of financial position date are presented as current borrowings. Other borrowings due to be settled more than twelve months after the statement of financial position date are presented as non-current borrowings in the statement of financial position.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(l) Borrowing Costs

Borrowing costs are recognised in profit or loss as incurred except to the extent that they are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on a weighted average cost method and comprises all costs of purchase and other related charges incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling prices for inventories less all estimated costs of completion and costs necessary to make the sale in the normal course of business after allowing for obsolete, slow-moving and defective inventories.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, fixed deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(o) Financial Instruments

Derivatives

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

Fair value changes on derivatives that are not designated nor do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than twelve months and it is not expected to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(q) Employee Benefits

Employee benefits are recognised as an expense, unless the costs qualifies to be capitalised as an asset.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contribution to national pension schemes is recognised as an expense in the period in which the related service is performed.

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the reporting date.

(r) Leases

(i) When the Group is the lessee

Lessee – Operating leases

Leases of office premises, factory and equipment where substantially all the risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Leases (Continued)

(i) When the Group is the lessee (Continued)

Lessee – Operating leases (Continued)

When an operating lease is terminated before the expiry of the lease period, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which the termination of the operating lease takes place.

Contingent rents are recognised as an expense in profit or loss when incurred.

Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statement of financial position as plant and equipment and finance lease liabilities respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) When the Group is a lessor

Lessor – Operating leases

Leases of office building units where the Group retains substantially all the risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of business, net of goods and services tax and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectibility of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(i) Sales of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods. Revenue is recognised net of sales commission, material claims, discounts and returns.

(ii) Rendering of services

Revenue from services is recognised upon the receipt of materials from customers. Where the collection of materials is subjected to additional specific contractual terms such as completion of treatment and recovery processes, recognition of the processing fee is deferred until the completion of such activities.

(iii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(iv) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight line basis over the lease term as set out in specific rental agreements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income Tax (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

(u) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

(v) Share Capital and Share Issue Expenses

Ordinary shares are classified as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

(w) Warrants Reserve

Proceeds from the issuance of warrants, net of issue costs, are credited to warrants reserve which is non-distributable. Warrants reserve is transferred to the share capital upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry of the warrants will be transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Related Parties

A related party is defined as follows:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity').

a. A person or a close member of that person's family is related to a reporting entity if that person:

   i. has control or joint control over the reporting entity;

   ii. has significant influence over the reporting entity; or

   iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b. An entity is related to a reporting entity if any of the following conditions applies:

   i. the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

   ii. one entity is an associated or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

   iii. both entities are joint ventures of the same third party;

   iv. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

   v. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

   vi. the entity is controlled or jointly controlled by a person identified in (i);

   vii. a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

   viii. the entity or any member of a group of which is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

Management makes estimates, assumptions and judgments concerning the future. These affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses and disclosures made. These estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results may ultimately differ from these estimates.

The estimates and underlying assumptions are revised on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) *Valuation of inventories*

Management reviews the Group's inventories for excess inventories and decline in net realisable value below cost at each reporting date. The estimation of net realisable value for inventories is made after taking into consideration the current and expected market demand, pricing competition or the prevailing average market prices of precious metals. Possible changes in the estimates could result in revisions to the valuation of inventories.

The carrying amount of the Group's inventories as at 30 June 2017 and those inventories written down to their net realisable values are disclosed in Note 14.

(ii) *Useful lives of property, plant and equipment*

The cost of property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment as set out in Note 2(f). These are common life expectancies for such assets. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, if any, and therefore, future depreciation charges could be revised.

During the financial year, a review of the Group's plant and equipment was conducted and the estimated useful lives of certain plant and equipment were revised. Further details are disclosed in Note 10(c).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS (Continued)

(a) Key Sources of Estimation Uncertainty (Continued)

(ii) *Useful lives of property, plant and equipment* (Continued)

The carrying amount of the Group's property, plant and equipment as at 30 June 2017 is disclosed in Note 10.

A 10% difference in the estimated useful lives of the Group's property, plant and equipment from management's estimates would result in approximately 8% (2016: 1%) variance in the Group's profit/(loss) before tax for the financial year.

(iii) *Impairment of property, plant and equipment*

Management reviews the Group's property, plant and equipment at each reporting date to determine whether there is any indication that these assets may have suffered an impairment loss. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

Estimating the value in use requires management to make an estimate of the expected future cash flows from the relevant CGU and to choose an appropriate discount rate in order to calculate the present value of those future cash flows.

For the financial year ended 30 June 2017, the Group made a reversal of allowance for impairment loss for certain plant and equipment recognised in prior years of S$320,000 (2016: Nil). Further details are disclosed in Note 10(d).

The carrying amount of the Group's property, plant and equipment as at 30 June 2017 is disclosed in Note 10.

(iv) *Impairment of investments in subsidiaries*

Management reviews the Company's investments in subsidiaries (including loan receivables from subsidiaries which are in substance part of the net investments in subsidiaries) at each reporting date to determine whether there is any indication that these investments may have suffered an impairment loss. If any such indication exists, the recoverable amount (i.e. the value in use) of the investment is estimated to determine the amount of impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS (Continued)

(a) Key Sources of Estimation Uncertainty (Continued)

(iv) *Impairment of investments in subsidiaries* (Continued)

Estimating the value in use requires management to make an estimate of the expected future cash flows from the relevant CGU and to choose an appropriate discount rate in order to calculate the present value of those future cash flows.

The carrying amount of the Company's investments in subsidiaries as at 30 June 2017 and the allowances for impairment losses recognised are disclosed in Note 11.

(b) Critical Judgments in Applying Accounting Policies

Other than the going concern assumption disclosed in Note 2(b) to the financial statements, in the process of applying the Group's accounting policies, the application of judgements that are expected to have a significant effect on the amounts recognised in the financial statements are discussed below.

(i) *Impairment of trade receivables*

Management reviews the Group's trade receivables for objective evidence of impairment at each reporting date. Significant financial difficulties of the debtor, and default or significant delay in payments are considered objective evidence that a trade receivable may be impaired. Where there is objective evidence of impairment, management judges whether an impairment loss should be recorded against the receivable.

For the financial year ended 30 June 2017, the Group recognised an allowance for impairment loss of trade receivables of Nil (2016: S$254,000). The Group also made a reversal of allowance for impairment loss of trade receivables of S$136,000 (2016: S$378,000).

The carrying amount of the Group's trade receivables as at 30 June 2017 and the allowance for impairment loss recognised are disclosed in Note 13.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

4 REVENUE

	Group	
	2017 S$'000	2016 S$'000
Sale of goods	**112,712**	32,596
Rendering of services	**7,750**	8,005
	120,462	40,601

5 OTHER INCOME

	Group	
	2017 S$'000	2016 S$'000
Rental income	**415**	446
Realised gain on investment in future contracts	**–**	23
Unrealised gain on investment in future contracts	**–**	34
Interest income	**27**	17
Currency gain – realised	**–**	108
Currency gain – unrealised	**–**	267
Reversal of allowance for impairment loss on property, plant and equipment	**320**	–
Reversal of allowance for impairment loss on trade receivables	**136**	378
Gain on disposal of property, plant and equipment	**7**	194
Insurance claims (Notes 23(a) and (b))	**1,312**	2,018
Government grants	**69**	118
Other miscellaneous income	**39**	21
	2,325	3,624

6 FINANCE COSTS

	Group	
	2017 S$'000	2016 S$'000
Finance lease interest	**4**	9
Other finance costs	**118**	96
	122	105

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

7 PROFIT/(LOSS) BEFORE INCOME TAX

	Group	
	2017	**2016**
	S$'000	**S$'000**
In addition to the disclosures made elsewhere, this is arrived at after charging/(crediting):		
Operating lease expense		
– included in cost of sales	**3,016**	2,796
– included in administrative expenses	**1,136**	1,123
Depreciation of property, plant and equipment		
– included in cost of sales	**621**	1,034
– included in administrative expenses	**69**	9
Employee benefits (including Directors' remuneration)		
– included in cost of sales	**8,196**	8,403
– included in administrative expenses	**2,244**	2,341
– included in distribution expenses	**1,210**	1,114
Property, plant and equipment written off	**45**	818
Allowance for impairment loss on trade receivables		
– included in other expenses	**–**	254
Directors' fees paid – Directors of the Company	**93**	93
Realised gain on future contracts	**(178)**	–
Unrealised loss on future contracts	**107**	–
Currency loss – realised	**107**	–
Currency gain – unrealised	**–***	–
Fees on audit services paid/payable to:		
– Auditors of the Company	**162**	190
Bad debts written off	**15**	27
Allowance for impairment loss on other financial assets		
– included in other expenses	**–**	177
(Reversal of)/Provision for restoration cost	**(90)**	250
Provision for fire incident cost – included in other expenses	**543**	1,079

* Less than S$1,000

There were no non-audit fees paid/payable to the Company's auditors during the financial years ended 30 June 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

8 INCOME TAX

	Group	
	2017	2016
	S$'000	S$'000
Current income tax	**47**	5

A reconciliation of the applicable tax rate to the Group's effective tax rate applicable to profit/(loss) before income tax for the financial year is as follows:

	Group	
	2017	2016
	S$'000	S$'000
Profit/(Loss) before income tax	**920**	(7,092)
Tax rate at the applicable tax rate of 17% (2016: 17%)	**157**	(1,206)
Effect of different tax rates operating in other jurisdictions	**8**	(692)
Income not subject to taxation	**(83)**	(416)
Tax effect of non-deductible items*	**504**	978
Exempt income	**–****	–
Under provision in prior years	**–****	–
Deferred tax benefits not recognised	**56**	1,356
Utilisation of tax benefits previously not recognised	**(595)**	(15)
	47	5

* Mainly relates to provisions for fire incident cost and restoration cost (see Note 7) and expenses derived by those entities of the Group, whose principal activities are those of investment holding that do not qualify for deduction in accordance with the relevant tax regulation.

** Less than S$1,000

The applicable tax rate used for the reconciliation above is the corporate tax rate of 17% (2016: 17%) payable by corporate entities in Singapore on taxable profits under the relevant tax regulation. The applicable tax rate for corporate entities in the United States of America is 20% (2016: 34%). The remaining corporate entities of the Group operating in jurisdictions other than the above have either no taxable income or are not material.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

8 INCOME TAX (Continued)

At the reporting date, the Group has unutilised tax losses of approximately S$45,499,000 (2016: S$48,671,000) that are available for offset against future taxable profits of those corporate entities of the Group in which these tax losses arose. The use of these unutilised tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax regulation of the respective countries in which the corporate entities of the Group operate. The unutilised tax losses have no expiry dates.

The deferred tax assets arising from these unutilised tax losses of approximately S$7,735,000 (2016: S$8,274,000) have not been recognised in accordance with the Group's accounting policy in Note 2(t).

9 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings/(loss) per share

The Company's dilutive potential ordinary shares are the warrants. The diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as the exercise of the warrants is anti-dilutive.

	Group
2017	
Net profit attributable to owners of the Company (S$'000)	**873**
Weighted average number of ordinary shares for the purpose of computation of basic and diluted loss per share ('000)	**4,218,558**
Basic and diluted earnings per share (S$ cents per share)	**0.021**
2016	
Net (loss) attributable to owners of the Company (S$'000)	(7,097)
Weighted average number of ordinary shares for the purpose of computation of basic and diluted loss per share ('000)	3,849,723
Basic and diluted (loss) per share (S$ cents per share)	(0.184)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

10 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties S$'000	Plant and equipment S$'000	Furniture and fixtures S$'000	Total S$'000
Group				
Cost				
At 1 July 2015	5,620	7,601	356	13,577
Additions	125	782	5	912
Disposals	(5,418)	(486)	–	(5,904)
Written off	(18)	(1,747)	(23)	(1,788)
Effect of foreign currency exchange differences	112	232	18	362
At 30 June 2016	421	6,382	356	7,159
Additions	22	304	–	326
Disposals	–	(13)	–	(13)
Written off	–	(167)	(31)	(198)
Effect of foreign currency exchange differences	9	60	7	76
At 30 June 2017	**452**	**6,566**	**332**	**7,350**
Accumulated depreciation and impairment				
At 1 July 2015	1,261	4,604	271	6,136
Depreciation for the year	146	862	35	1,043
Disposals	(1,192)	(282)	–	(1,474)
Written off	(16)	(935)	(19)	(970)
Effect of foreign currency exchange differences	52	146	11	209
At 30 June 2016	251	4,395	298	4,944
Depreciation for the year	51	613	26	690
Disposals	–	(13)	–	(13)
Written off	–	(122)	(31)	(153)
Reversal of impairment	–	(320)	–	(320)
Effect of foreign currency exchange differences	5	45	6	56
At 30 June 2017	**307**	**4,598**	**299**	**5,204**
Net book value				
At 30 June 2017	**145**	**1,968**	**33**	**2,146**
At 30 June 2016	170	1,987	58	2,215

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Plant and equipment S$'000	Furniture and fixtures S$'000	Total S$'000
Company			
Cost			
At 1 July 2015, 30 June 2016 and 2017	1,279	36	1,315
Accumulated depreciation			
At 1 July 2015	1,263	36	1,299
Depreciation for the year	3	–	3
At 30 June 2016	1,266	36	1,302
Depreciation for the year	4	–	4
At 30 June 2017	**1,270**	**36**	**1,306**
Net book value			
At 30 June 2017	**9**	**–**	**9**
At 30 June 2016	13	–	13

(a) Purchase of plant and equipment by finance lease

As at 30 June 2017, the Group has certain plant and equipment acquired by finance lease with a net book value of S$159,000 (2016: S$249,000).

(b) Plant and equipment written off

During the financial year, the Group has written off certain plant and equipment with a net book value of S$45,000 (2016: S$818,000). These plant and equipment were mainly rendered technologically obsolete.

(c) Revision in estimated useful lives of plant and equipment

2017

During the financial year, the Group conducted a review on its plant and equipment and revised the estimated useful lives of certain plant and equipment (the "Equipment") from 2 to 4 years (the "Revision"). The Revision is in relation to certain immovable Equipment located at the current leased factory in Singapore in view of the Group's intention to extend a further 3-year lease when the existing lease expires in November 2017. The revision in the estimated useful lives has been applied on a prospective basis with effect from 6 October 2016. The effect of the above revision in the current period was a decrease in the depreciation charges by S$168,000. The effects on future periods are not disclosed as they were considered not material.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Revision in estimated useful lives of plant and equipment (Continued)

2016

During the financial year, the Group had conducted a review on its plant and equipment and revised the estimated useful lives of certain plant and equipment (the "Equipment") from 8 to 2 years (the "Revision"). The Revision was in relation to certain immovable Equipment located at the current leased factory in Singapore in view of the existing lease expiring in November 2017. The revision in the estimated useful lives had been applied on a prospective basis with effect from 1 July 2015. The effect of the above revision in the current period was an increase in the depreciation charges by S$226,000. The effects on future periods were not disclosed as they were considered not material.

(d) Impairment testing of property, plant and equipment

As at 30 June 2017 and 2016, the Group's property, plant and equipment ("PPE") was assessed for impairment. The recoverable amounts of the PPE were determined based on value in use calculations. The key assumptions and estimates used in the value in use calculations are as follows:

	2017	2016
1. Estimated discount rates using pre-tax rates that reflect current market assessments of the risks specific to the PPE	10.10%–11.50%	7.40%
2. Average growth rates	0.80%	2.60%
3. Budgeted gross margins	13%–16%	18%
4. Cash flow forecasts derived from the most recent financial budgets approved by the management	5 years	5 years

Management recognises the possibility of new entrants and decline in industrial demand that can have a significant impact on the average growth rate assumption. The budgeted gross margin is based on past performances and expectation of future market and business developments. The discount rate is based on the weighted average cost of capital to discount the future projected cash flows to their present value.

Based on management's assessment, the Group made a reversal of allowance for impairment loss for certain plant and equipment recognised in prior years of S$320,000 (2016: Nil) as the recoverable amount of the relevant PPE was assessed to be higher than its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

(d) Impairment testing of property, plant and equipment (Continued)

Sensitivity analysis

Management has considered the possibility of a reasonable variance in the average growth rates and discount rates used in the value in use calculations. A 10% variance in the average growth rates and discount rates used would not result in the recoverable amounts of the PPE to be lower than its carrying amounts.

11 INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	2016
	S$'000	S$'000
Equity investments, at cost	**22,600**	22,700
Loans	**19,967**	19,967
Impairment losses on loans	**(19,967)**	(19,967)
Impairment losses on equity investments	**(21,900)**	(21,900)
	700	800
Impairment losses on loans		
Balance at 1 July and 30 June	**19,967**	19,967
Impairment losses on equity investments		
Balance at 1 July	**21,900**	–
Impairment for the financial year	**–**	21,900
Balance at 30 June	**21,900**	21,900

(a) Loans to a subsidiary

The loans to a subsidiary of S$19,967,000 (2016: S$19,967,000) as at 30 June 2017 are unsecured and non-interest bearing. The settlement of the loans was neither planned nor likely to occur in the foreseeable future. As these amounts were, in substance, a part of the Company's net investment in the subsidiary, they are stated at cost less impairment losses. The amount of S$19,967,000 had been impaired fully in prior years as management had assessed the loans were not recoverable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

11 INVESTMENTS IN SUBSIDIARIES (Continued)

(b) Composition of the Group

The details of the subsidiaries are as follows:

Name of Company/ country of incorporation	Principal activities	Proportion of ownership interest 2017 %	2016 %
Held by the Company			
Metech Recycling (Singapore) Pte. Ltd.[1] Singapore	Provision of a one-stop recycling and processing service centre for the electronics industry and the trading of plastics and non-precious metal materials	**100**	100
Metech Recycling (USA) Pte. Ltd.[1] Singapore	Investment holding and those relating to the business of refining and recycling metals, used components of computers and peripherals	**100**	100
Metech Recycling (Malaysia) Pte. Ltd.[1] Singapore	Investment holding and those relating to the business of refining and recycling metals, used components of computers and peripherals	**100**	100
Metech Reverslog Pte. Ltd.[1] Singapore	General wholesale trade (including general importers and exporters) and repair and maintenance of computer hardware, data processing equipment and computer peripherals.	**100**	100
Metech Solutions Pte. Ltd.[1] Singapore	General wholesale trading including general importers and exporters and wholesale on a fee or contract basis	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

11 INVESTMENTS IN SUBSIDIARIES (Continued)

(b) Composition of the Group (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of Company/ country of incorporation	Principal activities	Proportion of ownership interest 2017 %	2016 %
Held by Metech Recycling (USA) Pte. Ltd.			
Metech Recycling, Inc.(2) United States of America	Comprehensive end-of-life electronic equipment recycling of precious and non-precious metal scrap and other recyclable materials for subsequent reclamation	**100**	100
Metech Metals, Inc.(2) United States of America	Purchase of metal commodity for recycling and smelting	**100**	100
Held by Metech Recycling (Malaysia) Pte. Ltd.			
Metech Recycling, (Malaysia) Sdn. Bhd.(3) Malaysia	Provision of a one-stop recycling and processing service centre for the electronics industry and the trading of plastics and non-precious metal materials	**100**	100
Held by Metech Reverslog Pte. Ltd.			
Metech Global (Shanghai) Co., Ltd.(2) People's Republic of China	General wholesale trade	**100**	100

(1) Audited by Moore Stephens LLP Singapore

(2) Not required to be audited under the laws of the country of incorporation, but audited by Moore Stephens LLP for Group consolidation purposes

(3) Audited by Chan & Co, Malaysia

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

11 INVESTMENTS IN SUBSIDIARIES (Continued)

(c) Striking off a subsidiary

During the financial year ended 30 June 2017, Metech Solutions Pte. Ltd. ("Metech Solutions") is in the process of being struck off. The carrying amount of the Company's investment in Metech Solutions of S$100,000 has been fully written off.

(d) Capitalisation of amount due from a subsidiary

During the financial year ended 30 June 2016, the Company was allotted and issued with 21,500 ordinary shares in Metech Recycling (Singapore) Pte. Ltd. ("Metech Singapore"), and was fully paid in lieu of the capitalisation of an amount due from Metech Singapore to the Company of S$21,500,000 (see Note 13(a)(ii)).

(e) Impairment testing of equity investments

2016

During the financial year ended 30 June 2016, one of the Company's subsidiaries incurred significant operating losses. This had caused management to assess the recoverable amount of the Company's investment in the subsidiary at the reporting date.

The recoverable amount of the Company's investment in the subsidiary was determined based on value in use calculation. The key assumptions and estimates used in the value in use calculation were as follows:

		2016
1.	Estimated discount rate using pre-tax rate that reflect current market assessments of the risks specific to the investment in subsidiary	7.40%
2.	Average growth rate	2.60%
3.	Budgeted gross margin	18%
4.	Cash flow forecasts derived from the most recent financial budgets approved by the management	5 years

Based on management's assessment, the Company had recognised an allowance for impairment loss of S$21,900,000 on the carrying amount of the investment in the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

11 INVESTMENTS IN SUBSIDIARIES (Continued)

(e) Impairment testing of equity investments (Continued)

2016 (Continued)

Sensitivity analysis

Management had considered the possibility of a reasonable variance in the average growth rate and discount rate used in the value in use calculation. A 10% variance in the average growth rate and discount rate used would not result in a significant change to the allowance for impairment loss recognised on the carrying amount of the investment in the subsidiary.

12 RESTRICTED CASH HELD IN TRUST

	Group	
	2017 S$'000	2016 S$'000
Non-current		
Cash held in trust for closure costs	**326**	326

As a licensed TSD (Treatment, Storage and Disposal of hazardous waste) facility in the State of California in the United States of America, Metech Recycling Inc ("MRI") is required to maintain a certain amount of funds in trust to cover potential environmental closeout costs of the MRI facility in California and Utah. The Trust Fund Agreement with the State of California Department of Toxic Substance Control and the Escrow Bond Agreement with the Salt Lake Valley Health Department provide assurance that funds will be available when needed for closure and/or post closure care of the MRI facility. These funds are held in a separate trust account and are not available for routine operating expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

13 TRADE AND OTHER RECEIVABLES

		Group		Company	
		2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Amounts due from subsidiaries (non-trade)	(a)	**–**	–	**23,356**	22,301
Trade receivables	(b)	**8,784**	5,075	**–**	–
Unbilled trade receivables	(c)	**3,456**	–	**–**	–
Margin trading account:	(d)				
– Margin deposit		**549**	99	**–**	–
– Unrealised gain/(loss) on derivative contracts		**(107)**	34	**–**	–
		442	133	**–**	–
Advances to suppliers	(e)	**654**	221	**–**	–
Other receivables	(f)	**351**	838	**81**	144
Deposits	(g)	**1,288**	1,374	**570**	563
		14,975	7,641	**24,007**	23,008
Less: Allowances for impairment losses (see Note 28(b))		**(115)**	(249)	**(14,112)**	(13,778)
Loans and receivables		**14,860**	7,392	**9,895**	9,230
Prepayments		**280**	188	**15**	24
		15,140	7,580	**9,910**	9,254
Less: Non-current portion		**–**	–	**(9,325)**	(8,603)
Current portion		**15,140**	7,580	**585**	651

(a) Amounts due from subsidiaries are unsecured, interest-free and repayable on demand except as follows:

(i) As at 30 June 2017, included in amounts due from subsidiaries is an interest-bearing amount due from a subsidiary amounting to S$8,328,000 (2016: S$8,328,000) and the interest rate ranges between 3% to 3.07% (2016: 3% to 3.07%) per annum; and

(ii) During the financial year ended 30 June 2016, an amount due from a subsidiary of S$21,500,000 was capitalised in lieu of the allotment and issuance of fully paid ordinary shares in the subsidiary to the Company (see Note 11(d)).

As at 30 June 2017, management assessed the repayment terms of the amounts due from subsidiaries and determined that the amounts are not likely to be repaid within the next twelve months. Accordingly, the net amounts due from subsidiaries of S$9,325,000 (2016: S$8,603,000) have been classified as non-current as at 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

13 TRADE AND OTHER RECEIVABLES (Continued)

(b) Trade receivables are non-interest bearing and generally has credit of 30 to 90 (2016: 30 to 60) day terms. As at 30 June 2017, included in trade receivables is an outstanding amount of S$2,294,000 (2016: Nil) due from a customer (the "Customer") for the sale of unprocessed and processed materials.

In accordance with the terms of the sale, the Customer is required to pay the outstanding balance in 6 subsequent monthly installments of various amounts. At the date of these financial statements, the Group has recovered S$337,000 of the aforesaid outstanding amount via a subsequent offsetting arrangement with the Customer.

(c) Unbilled trade receivables relate to goods that have been sold but the sales (the "Sales") has not been billed by the Group at the reporting date. Subsequent to the financial year end, the Group has fully billed the customers for the Sales.

(d) Precious metals traded by the Group are subject to fluctuations due to a number of factors that result in price risk. The Company purchases derivative contracts with the purpose of managing market exposure to adverse price movements in the precious metals.

The details of the derivative contracts outstanding at the reporting date are as follows:

	2017		2016	
	Contract notional amount S$	Fair value S$	Contract notional amount S$	Fair value S$
Derivative contracts	**3,492,000**	**(107,000)**	2,132,000	34,000

Information about the fair value hierarchy of the derivative contracts is disclosed in Note 28(e).

(e) Advances to suppliers mainly relate to deposits paid by the Group to suppliers for future purchases of raw materials. The advances to suppliers are unsecured, interest-free and not secured by any collateral.

(f) As at 30 June 2016, included in other receivables was the insurance claim receivable of S$540,000 (see Note 23(b)). The amount has been received in full during the current financial year.

(g) The deposits mainly relate to deposits paid by the Group for the leasing of the office and factory premises located in Singapore and the United States of America.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

13 TRADE AND OTHER RECEIVABLES (Continued)

(h) The financial assets and financial liabilities of the Company subject to offsetting and enforceable master netting arrangements during the financial year are as follows:

	Gross amounts of recognised financial assets S$'000	Gross amounts of recognised financial liabilities offset in the statement of financial position S$'000	Net amounts of financial assets recognised in the statement of financial position S$'000
2017			
Financial assets			
Amounts due from subsidiaries (non-trade)	**23,356**	**–**	**23,356**
Financial liabilities			
Amount due to subsidiaries (non-trade)	**–**	**–**	**–**
2016			
Financial assets			
Amounts due from subsidiaries (non-trade)	22,385	(84)	22,301
Financial liabilities			
Amount due to subsidiaries (non-trade)	(84)	84	–

14 INVENTORIES

	Group 2017 S$'000	Group 2016 S$'000
At cost		
Raw materials	**1,071**	1,742
Finished goods	**1,174**	893
	2,245	2,635
At net realisable value		
Raw materials	**724**	171
Finished goods	**709**	–
	1,433	171
Total inventories	**3,678**	2,806

During the financial year, raw materials and finished goods recognised in cost of sales amounted to S$99,878,000 (2016: S$26,646,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

14 INVENTORIES (Continued)

For the financial year ended 30 June 2017, the Group wrote down certain inventories to their net realisable values amounting to S$82,000 (2016: Nil), with reference to the latest unit selling prices or to the prevailing average market prices for precious metals subsequent to the financial year end. The Group also made a reversal of S$12,000 (2016: S$253,000) due to the recovery of prices of those inventories that were previously written down to their net realisable values. The aforesaid amounts were recorded under costs of sales in the Group's profit or loss for the financial year.

Sensitivity analysis

A 5% difference in the estimated net realisable values of the inventories written down from management's estimates would not have a significant impact to the Group's profit or loss for the financial year.

15 OTHER FINANCIAL ASSETS

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Classified as:				
Current	–	–	–	–
Non-current	–	511	–	511
	–	511	–	511
Comprise:				
Listed equity securities				
– Singapore	–	–	–	–
Convertible note				
– Malaysia	–	511	–	511
	–	511	–	511
Designated as:				
At fair value on initial recognition	–	511	–	511

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

15 OTHER FINANCIAL ASSETS (Continued)

Movements in the financial assets, at fair value through profit or loss during the financial year are as follows:

	Group		Company	
	2017	2016	2017	2016
	S$'000	S$'000	S$'000	S$'000
Balance at 1 July	**511**	520	**511**	520
Addition	**–**	168	**–**	168
Disposal	**(511)**	–	**(511)**	–
Fair value loss	**–**	(177)	**–**	(177)
Balance at 30 June	**–**	511	**–**	511

Other financial assets comprised financial assets, at fair value through profit or loss and are in relation to equity securities listed on the Singapore Stock Exchange and a convertible note issued by Pulai Mining Sdn. Bhd ("Pulai Mining"), an entity incorporated in Malaysia.

(a) Listed Equity Securities

During the financial year ended 30 June 2016, the listed equity securities were suspended for trading and the full fair value loss of S$177,000 was recognised in profit or loss (Note 7). The listed equity securities remained suspended during the current financial year.

(b) Convertible Note

During the financial year ended 30 June 2015, the Company had acquired an unsecured convertible note (the "Convertible Note") with a principal amount of MYR1,300,000 (equivalent to S$511,000) issued by Pulai Mining. The Convertible Note was interest-bearing at the rate of 5% per annum and the interest was payable on a semi-annual basis. The maturity date (the "Maturity Date") of the Convertible Note was 22 September 2017.

The Company shall be obliged to convert the entire Convertible Note and the applicable interest outstanding into ordinary shares of Pulai Mining if the following events occur on or prior to the Maturity Date:

(i) The lodgement by Pulai Mining or any vehicle (the "Listco") of the prospectus or offer document to be issued by the Listco in connection with a proposed initial public offering on the Singapore Stock Exchange;

(ii) Delivery by Pulai Mining to the holders of the Convertible Note, a copy of the written agreement between the Listco, its shareholders and the target listed company pursuant to a reverse takeover of and/or acquisition or investment by the target listed company; or

(iii) The trade sale of Pulai Mining.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

15 OTHER FINANCIAL ASSETS (Continued)

(b) Convertible Note (Continued)

The conversion price of each ordinary share of Pulai Mining was equivalent to a discount of 50% to the price of each ordinary share of Pulai Mining on the conversion date calculated based on the independent valuation but in any event shall not be lower than the par value of the ordinary share of Pulai Mining.

On 24 February 2017, the Company entered into a termination agreement with Pulai Mining to terminate the Convertible Note and the Company received the full repayment of the Convertible Note of MYR1,300,000 (equivalent to S$418,000) excluding interest, and the difference being realised currency loss of S$93,000 recognised in profit or loss.

16 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprised:

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Cash and bank balances	**3,742**	3,029	**180**	116

Bank balances are interest-bearing but the interest earned during the current and previous financial years is considered not significant.

17 SHARE CAPITAL

	Group and Company			
	2017		2016	
	No. of shares '000	Amount S$'000	No. of shares '000	Amount S$'000
Issued and fully paid:				
Balance at 1 July	**4,218,558**	**176,346**	2,812,372	172,335
Share placement	**–**	**–**	1,406,186	4,219
Share issue expenses	**–**	**–**	–	(208)
Balance at 30 June	**4,218,558**	**176,346**	4,218,558	176,346

Ordinary shares of the Company have no par value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

17 SHARE CAPITAL (Continued)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

On 6 October 2015, the Company's proposed share placement was completed whereby approximately 1,406,186,000 new ordinary shares in the Company were allotted and issued at the issue price of S$0.003 per ordinary share. The share placement raised net proceeds of approximately S$4,011,000.

18 OTHER RESERVES

Movements in reserves of the Group are set out in the consolidated statement of changes in equity.

(a) Translation reserve

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

(b) Warrants reserve

Proceeds from the issuance of warrants, net of issue costs, are credited to warrants reserve. Warrants reserve is non-distributable and will be transferred to share capital upon the exercise of warrants. Balance of warrants reserve in relation to the unexercised warrants at the expiry of the warrants period will be transferred to retained earnings.

2017

During the financial year ended 30 June 2017, there were no warrants issued, exercised or expired.

2016

During the financial year ended 30 June 2016, the Company had issued 1,406,186,305 warrants. Further details are disclosed in the Directors' Statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

19 TRADE AND OTHER PAYABLES

		Group		Company	
		2017	2016	2017	2016
		S$'000	S$'000	S$'000	S$'000
Trade payables	(a)	**3,789**	2,191	**–**	–
Accrued purchases	(b)	**1,964**	–	**–**	–
Deposits		**67**	83	**63**	74
Accrued operating expenses		**2,050**	1,358	**91**	59
Sundry creditors		**1,158**	636	**662**	365
Advances from customers	(c)	**2,192**	–	**–**	–
Accrual for					
– professional fees		**222**	336	**168**	209
– staff costs		**613**	575	**126**	118
		12,055	5,179	**1,110**	825
Less: Non-current portion		**(34)**	–	**–**	–
Current portion		**12,021**	5,179	**1,110**	825

(a) Trade payables are non-interest bearing and are generally settled on 30 to 90 (2016: 30 to 90) days terms.

(b) Accrued purchases relate to goods that have been delivered to the Group but the purchases (the "Purchases") have not been billed by the supplier (the "Supplier") at the reporting date. Subsequent to the financial year end, the Purchases were fully billed to the Group by the Supplier.

(c) The advances from customers relate to deposits received by the Group from customers for future sales of goods. The advances from customers are unsecured, interest-free and are not secured by any collateral.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

20 PROVISIONS

		Group		Company	
		2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Provision for fire incident cost	(a)	**–**	1,079	**–**	–
Provision for restoration cost	(b)	**160**	250	**–**	–
		160	1,329	**–**	–
Less: Non-current portion		**(78)**	–	**–**	–
Current portion		**82**	1,329	**–**	–

(a) The provision was the estimated cost of settlement for third party damages in relation to property damage filed against the Group and the requirement of the Group to rectify the environmental damage caused by the fire incident at the Group's factory premises located in the United States of America (see Note 23(b)).

At the date of these financial statements, management considers the provision for fire incident cost to be substantially settled.

(b) The Group makes full provision for the future cost of dismantling and removing the items and restoring the site of the Group's leased factory premises in Singapore. The provision is re-assessed at year end with reference to quotations obtained from third party contractors.

As at 30 June 2017, the Group estimates to incur S$82,000 of restoration costs within the next year and the balance within the next two years.

(c) The movements for the provisions during the financial year are as follows:

	Provision for fire incident cost S$'000	Provision for restoration cost S$'000	Total S$'000
Group			
At 1 July 2015	–	–	–
Provisions recognised	1,079	250	1,329
At 1 July 2016	1,079	250	1,329
Addition	543	–	543
Settlement made	(1,622)	–	(1,622)
Reversal	–	(90)	(90)
At 30 June 2017	**–**	**160**	**160**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

21 FINANCE LEASE LIABILITIES

The Group has certain plant and equipment under hire purchase arrangements for a lease term of three to seven years (2016: three to seven years). The leases bear an effective interest rates of 2 to 2.78% (2016: 2 to 2.78%) per annum. Future minimum finance lease payments together with the present value of the net minimum lease payments are as follows:

	Group	
	2017 S$'000	2016 S$'000
Minimum lease payments:		
– within one year	**45**	45
– between two and five years	**78**	109
– more than five years	**13**	28
Total minimum lease payments	**136**	182
Less: Future finance charges	**(14)**	(19)
Present value of minimum lease payments	**122**	163

The present value of minimum lease payments are analysed as follows:

	Group	
	2017 S$'000	2016 S$'000
Current portion:		
– within one year	**41**	41
Non-current portion:		
– between two and five years	**69**	98
– more than five years	**12**	24
	81	122
Total finance lease liabilities	**122**	163

The fair value of the finance lease liabilities is approximately equal to the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

22 NON-CONVERTIBLE BOND

	Group		Company	
	2017	2016	2017	2016
	S$'000	S$'000	S$'000	S$'000
Non-convertible Bond	**2,000**	–	**2,000**	–
Less:				
Non-current portion	**(1,000)**	–	**(1,000)**	–
Current portion	**1,000**	–	**1,000**	–

On 30 September 2016, the Company entered into a Term Sheet Agreement (the "Term Sheet Agreement") with a crowdfunding platform to issue non-convertible bonds (the "Bond") for a sum of S$2,000,000. As at 30 June 2017, the carrying amount of the Bond amounted to S$2,000,000 and the key terms and conditions of the Bond are as follows:

(i) The tenure for the Bond is 24 months where 50% of the principal is due in twelve months and the next 50% in the next twelve months.

(ii) The Coupon Rate is 8% per annum (the "Coupon Rate") which will be paid out quarterly on the last day of the month. Interest of 12% will be imposed on late payment and will apply to the Coupon Rate.

(iii) The crowdfunding platform charges an administration fee of 1.5% per annum of the Bond amount.

(iv) The Bond is secured by the equity interests held in the Company by one of the directors of the Company.

The Group has recorded interest expense of S$93,000 under finance costs in profit or loss arising from the Bond for the financial year ended 30 June 2017. The Group has also recorded the administration fee incurred for the Bond in profit or loss as the amount was considered not material.

The fair value of the Bond is approximately equal to the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

23 FIRE INCIDENTS

(a) Fire Incident at 65 Tech Park Crescent, Singapore

On 26 January 2015, a fire incident had occurred at the Group's premises located at 65 Tech Park Crescent in Singapore. The Group had taken steps to assess and filed an insurance claim in respect to the fire incident (the "Singapore Insurance Claim").

2016

During the financial year ended 30 June 2016, the Singapore Insurance Claim was submitted and insurance claim of S$906,000 was received and recognised under other income in profit or loss.

2017

During the financial year ended 30 June 2017, an additional insurance claim of S$294,000 was received and recognised under other income in profit or loss.

At the date of these financial statements, management considers the Singapore Insurance Claim to be fully settled.

(b) Fire Incident in Gilroy, California

On 23 April 2016, the Group suffered a fire (the "Fire Incident") at one of its factory premises located in Gilroy, California. Consequently, settlements for third party damages in relation to property damage were filed against the Group and the Group is required to rectify the environmental damage caused by the Fire Incident in accordance with the environmental regulations. The Group had in turn filed for insurance claims to cover substantially the Group's losses as a result of the Fire Incident (the "US Insurance Claim").

2016

During the financial year ended 30 June 2016, the Group had recognised insurance claim of S$1,112,000 under other income in profit or loss, of which S$572,000 was received and the remaining insurance claim receivable of S$540,000 was included in other receivables as at 30 June 2017.

2017

During the financial year ended 30 June 2017, an additional insurance claim of S$1,018,000 was received and recognised under other income in profit or loss.

At the date of these financial statements, management considers the US Insurance Claim to be substantially settled.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

24 COMMITMENTS

Where the Group is a lessor

The Group subleases certain office premises under operating leases with tenure periods of between 1 and 5 years. Future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group	
	2017	**2016**
	S$'000	**S$'000**
Within one year	**226**	258
After one year but within five years	**369**	554
	595	812

Where the Group is a lessee

The Group leases certain warehouse, factory premises and equipment under operating leases. These leases have tenure periods of between 1 and 6 years. There are no restrictions placed upon the Group by entering into these leases.

Future minimum lease payments payable under non-cancellable operating leases are as follows:

	Group	
	2017	**2016**
	S$'000	**S$'000**
Within one year	**2,618**	3,331
After one year but within five years	**4,626**	6,925
	7,244	10,256

(a) Letter of Intent

On 25 August 2017, the Group entered into a letter of intent with the landlord to extend a further 3-year lease amongst others (the "New Lease"), at a price to be negotiated and agreed by both parties, when the existing lease of the Group's factory premises in Singapore expires in November 2017. At the date of these financial statements, the New Lease has not been finalised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

24 COMMITMENTS (Continued)

Where the Group is a lessee (Continued)

(b) Letter of Offer

On 13 April 2017, the Group accepted a Letter of Offer from SB Reit Management Pte Ltd ("SB Reit") to lease the property located at No 7 Tuas Loop for an initial five year tenure period.

However, subsequent to the acceptance of the Letter of Offer, the Group has formally wrote on 13 July 2017 to SB Reit requesting to withdraw from the Letter of Offer and return of certain payments that the Group has made under the terms of the Letter of Offer amounting to S$67,000, on the grounds of certain information relating to the property was not made known to the Group by SB Reit before the Group's acceptance of the Letter of Offer. SB Reit has on 3 August 2017 replied in writing to the Group stating that they are looking into its request to terminate the lease pre-maturely but with all their rights under the Letter of Offer expressly reserved.

At the date of these financial statements, the Group and SB Reit are still in discussion including exploring options of alternative properties with SB Reit. Management is of the view that the Group is more likely than not to succeed in withdrawing from the Letter of Offer and therefore no provision has been made for the above-mentioned payments including any liabilities that may arise from its request to terminate the lease pre-maturely.

25 EMPLOYEE BENEFITS

	Group	
	2017	**2016**
	S$'000	**S$'000**
Employee benefits expense		
Salaries and bonuses	**9,711**	9,915
Central Provident Fund contributions	**509**	470
Other short-term employee benefits	**1,430**	1,473
	11,650	11,858

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

26 RELATED PARTIES TRANSACTIONS

There are transactions and arrangements between the Group and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. In addition to the transactions and balances disclosed elsewhere in the financial statements, related party transactions include the following:

(a) Key Management Personnel Compensation

	Group	
	2017 S$'000	2016 S$'000
Key management personnel compensation comprised:		
Short-term employee benefits	**510**	619
Central Provident Fund contributions	**40**	38
Fees to Directors of the Company	**93**	93
	643	750
Comprised amounts paid/payable to:		
Directors of the Company	**510**	554
Other key management personnel	**133**	196
	643	750

(b) Other Related Party Transactions

The Group entered into the following transactions with a related party, in which one of the directors of the Company has an interest, on terms agreed between the parties:

	Group	
	2017 S$'000	2016 S$'000
Accounting fee income	**–**	45
Rental income	**–**	25

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

27 OPERATING SEGMENTS

The Group has four reportable segments, United States of America, Singapore, China and Malaysia which are the Group's strategic business units. The strategic business units offer similar products and services, being the provision of a one-stop recycling and processing service centre for the electronics industry and the trading of plastics and non-precious metal materials, and are managed separately based on their geographical locations/markets. For each of the strategic business units, the Group's Chief Executive Officer (CEO) reviews internal management reports on a monthly basis to make strategic decisions.

The accounting policies of the reportable segments are consistent with the Group's accounting policies set out in Note 2.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit before income tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

As compared to the financial year ended 30 June 2016, there are no significant differences in the basis of segmentation or in the basis of measurement of segment profit or loss presented above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

27 OPERATING SEGMENTS (Continued)

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	United States of America S$'000	Singapore S$'000	China S$'000	Malaysia S$'000	Total S$'000
2017					
Gross revenue	20,711	85,489	13,816	757	120,773
Less: inter-segment	(311)	–	–	–	(311)
External revenues	20,400	85,489	13,816	757	120,462
Interest expense	–	(6)	–	–	(6)
Depreciation	(376)	(314)	–	–	(690)
Gain on disposal of property, plant and equipment	7	–	–	–	7
Property, plant and equipment written off	(45)	–	–	–	(45)
Inventories written down to net realisable value	(45)	(37)	–	–	(82)
Reversal of allowance for impairment loss on property, plant and equipment	320	–	–	–	320
Reversal of provision for restoration cost	–	90	–	–	90
Reversal of allowance for impairment loss on trade receivables	136	–	–	–	136
Reversal of inventories previously written down to net realisable value	–	12	–	–	12
Provision for fire incident cost	(543)	–	–	–	(543)
Unrealised gain/(loss) on investment in future contracts	–	35	(142)	–	(107)
Reporting segment profit/(loss) before tax	1,702	324	(282)	92	1,836
Reportable segments assets	8,202	13,783	3,589	568	26,142
Capital expenditure	205	121	–	–	326
Reporting segment liabilities	19,575	13,566	3,129	467	36,737

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

27 OPERATING SEGMENTS (Continued)

	United States of America S$'000	Singapore S$'000	China S$'000	Malaysia S$'000	Total S$'000
2016					
Gross revenue	17,848	18,098	5,562	423	41,931
Less: inter-segment	(1,330)	–	–	–	(1,330)
External revenues	16,518	18,098	5,562	423	40,601
Interest expense	(70)	(30)	(5)	–	(105)
Depreciation	(470)	(573)	–	–	(1,043)
Gain/(Loss) on disposal of property, plant and equipment	292	(98)	–	–	194
Property, plant and equipment written off	(58)	(760)	–	–	(818)
Allowance for impairment loss on trade receivables	(173)	(81)	–	–	(254)
Reversal of allowance for impairment loss on trade receivables	378	–	–	–	378
Bad debts written off	–	(27)	–	–	(27)
Allowance for impairment loss on financial assets	–	(177)	–	–	(177)
Provision for restoration cost	–	(250)	–	–	(250)
Provision for fire incident cost	(1,079)	–	–	–	(1,079)
Reversal of inventories previously written down to net realisable value	–	253	–	–	253
Unrealised gain on investments in futures contract	–	–	34	–	34
Unrealised foreign exchange gain	–	252	16	(1)	267
Reporting segment (loss)/profit before tax	(3,960)	(1,403)	(230)	28	(5,565)
Reportable segments assets	6,462	7,510	2,214	105	16,291
Capital expenditure	420	492	–	–	912
Reporting segment liabilities	19,678	7,461	1,814	80	29,033

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

27 OPERATING SEGMENTS (Continued)

	2017 S$'000	2016 S$'000
Revenue		
Total revenues for reportable segments	**120,462**	40,601
Profit or Loss		
Total profit/(loss) before tax for reportable segments	**1,836**	(5,565)
Corporate and other unallocated items	**(2,684)**	(14,212)
Elimination of inter-segment profit or loss items	**1,768**	12,685
Consolidated profit/(loss) before income tax	**920**	(7,092)
Assets		
Total assets for reportable segments	**26,142**	16,291
Corporate and other unallocated items	**10,830**	13,284
Elimination of inter-segment assets	**(11,940)**	(13,108)
Consolidated total assets	**25,032**	16,467
Liabilities		
Total liabilities for reportable segments	**36,737**	29,033
Corporate and other unallocated items	**17,181**	17,028
Elimination of inter-segment liabilities	**(39,544)**	(39,390)
Consolidated total liabilities	**14,374**	6,671

Revenue from major products and services

	2017 S$'000	2016 S$'000
Revenue		
Trading of copper cathode and products	**89,010**	13,553
Recycling of end-of-life electronics	**17,455**	12,831
Precious metals	**6,247**	6,212
Services rendered	**7,750**	8,005
	120,462	40,601

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

27 OPERATING SEGMENTS (Continued)

Information about non-current assets by geographical location

	2017 S$'000	2016 S$'000
Non-current assets		
United States of America	**1,440**	1,317
Singapore	**1,023**	1,735
	2,472	3,052

Major customers

Included in revenue arising from trading of copper cathode and products, and recycling of end-of-life electronics of S$89,010,000 (2016: S$13,553,000) and S$20,399,000 (2016: S$13,553,000) are revenues of approximately S$89,010,000 (2016: S$13,553,000) and of approximately S$9,395,000 (2016: S$7,379,000) which arose from sales to three (2016: one) and four (2016: four) major customers of the Group during the relevant financial years respectively.

28 FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives and Policies

The Group is exposed to financial risks arising from its operations. The key financial risks include price risk, credit risk, foreign currency risk and liquidity risk.

Financial risk management is carried out by management under policies approved by the Board of Directors. The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management of the Group.

(a) Price Risk

Commodities traded by the Group are subject to fluctuations due to a number of factors that result in price risk. The Group purchases and sells various derivative products with the purpose of managing market exposure to adverse price movements in these commodities. The Group has established policies and exposure limits that restrict the amount of unhedged fixed price physical positions in each commodity.

As at 30 June 2017, the Group has outstanding derivative products to hedge the commodity price risk of the outstanding contracts. Accordingly, this acts as a natural hedge against significant price variance. A 10% difference in the commodities' prices for the Group's derivative contracts would not have a significant impact to the Group's profit or loss for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

28 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk arises primarily from its trade and other receivables. The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group determines concentration of credit risks by monitoring the country of its receivables on an on-going basis. The credit risk concentration profile of the Group's trade and other receivables at the reporting date is as follows:

	Group	
	2017 S$'000	2016 S$'000
Trade and other receivables by country:		
United States of America	**5,289**	3,255
Singapore	**1,563**	2,185
China	**7,998**	1,952
Malaysia	**10**	–
	14,860	7,392

<u>*Financial assets that are neither past due nor impaired*</u>

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Cash and bank balances held by the Group are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history or default.

As at 30 June 2017, trade and other receivables which are neither past due nor impaired amounted to S$10,842,000 (2016: S$3,972,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

28 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Financial assets that are past due but not impaired

There is no other class of the Group's and the Company's financial assets that is past due but not impaired except for the Group's trade receivables as set out below. These trade receivables are unsecured and the analysis of their aging at the reporting date is as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Trade receivables past due:				
– Past due 0 – 30 days	**1,564**	1,932	**–**	–
– Past due 31 – 120 days	**2,454**	1,488	**–**	–
	4,018	3,420	**–**	–

Financial assets that are past due and impaired

The Group's and the Company's trade and other receivables that are determined to be individually impaired at the reporting date are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Trade and other receivables	**115**	249	**14,112**	13,778
Less: Allowances for impairment losses (Note 13)	**(115)**	(249)	**(14,112)**	(13,778)
	–	–	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

28 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Financial assets that are past due and impaired (Continued)

Trade receivables which are impaired relate to debtors that have defaulted in payments and these trade receivables are not secured by any collateral. The Group's trade receivables that are determined to be individually impaired at the reporting date and the allowance for impairment loss are as follows:

	Group	
	2017 S$'000	2016 S$'000
Balance at 1 July	**168**	301
Translation difference	**5**	6
Addition	**–**	254
Reversal	**(136)**	(378)
Written off	**(3)**	(15)
Balance at 30 June	**34**	168

Other receivables which are impaired mainly relate to amounts due from subsidiaries and other third party receivables that were assessed to be not recoverable. The other receivables that are determined to be individually impaired at the reporting date and the allowance for impairment loss are as follows:

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Balance at 1 July	**81**	81	**13,778**	27,387
Addition	**–**	–	**334**	6,238
Reversal	**–**	–	**–**	(19,400)
Written off	**–**	–	**–**	(447)
Balance at 30 June	**81**	81	**14,112**	13,778

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

28 FINANCIAL RISK MANAGEMENT (Continued)

(c) Foreign Currency Risk

The Group operates in various countries. It is exposed to foreign exchange risk as it maintains its assets and liabilities in various currencies. Exposure to currency risk is monitored on an on-going basis and the Group endeavors to keep its net exposure at an acceptable level.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily Singapore Dollar ("SGD"), US Dollar ("USD"), Renminbi ("RMB") and Malaysian Ringgit ("MYR").

To manage the foresaid foreign currency risk, the Group maintains a natural hedge, whenever possible, by depositing foreign currency proceeds from sales into foreign currency bank accounts which are primarily used for payments of purchases in the same currency denomination.

	SGD S$'000	USD S$'000	RMB S$'000	MYR S$'000
Group				
2017				
Financial assets				
Trade and other receivables	**933**	**10,665**	**3,229**	**33**
Cash and cash equivalents	**677**	**2,735**	**104**	**226**
	1,610	**13,400**	**3,333**	**259**
Financial liabilities				
Trade and other payables	**(1,964)**	**(7,701)**	**(2,031)**	**(359)**
Provisions	**(160)**	**–**	**–**	**–**
Finance lease liabilities	**(122)**	**–**	**–**	**–**
Non-convertible loan	**(2,000)**	**–**	**–**	**–**
	(4,246)	**(7,701)**	**(2,031)**	**(359)**
Net financial (liabilities)/ assets	**(2,636)**	**5,699**	**(1,302)**	**(100)**
Less: Net financial (liabilities)/ assets denominated in the respective entities' functional currencies	**(2,696)**	**5,313**	**(1,302)**	**(100)**
Currency exposure	**60**	**386**	**–**	**–**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

28 FINANCIAL RISK MANAGEMENT (Continued)

(c) Foreign Currency Risk (Continued)

	SGD S$'000	USD S$'000	RMB S$'000	MYR S$'000
Group (Continued)				
2016				
Financial assets				
Other financial assets	–	–	–	511
Trade and other receivables	813	6,309	270	–
Cash and cash equivalents	650	2,024	250	105
	1,463	8,333	520	616
Financial liabilities				
Trade and other payables	(1,393)	(3,768)	(14)	(4)
Provisions	(250)	(1,079)	–	–
Finance lease liabilities	(163)	–	–	–
	(1,806)	(4,847)	(14)	(4)
Net financial (liabilities)/ assets	(343)	3,486	506	612
Less: Net financial (liabilities)/ assets denominated in the respective entities' functional currencies	(343)	113	506	101
Currency exposure	–	3,373	–	511

If the following currencies strengthen by 5% (2016: 5%) against SGD, with all other variables including tax being held constant, the effect arising from the net financial assets/(liabilities) position will be as follows:

	Group Increase/(Decrease) in profit/(loss) before tax	
	2017 S$'000	2016 S$'000
USD	**19**	(169)
MYR	**–**	(26)
	19	(195)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

28 FINANCIAL RISK MANAGEMENT (Continued)

(c) Foreign Currency Risk (Continued)

A 5% weakening of SGD against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables including tax remain constant.

The Company has not disclosed its exposure to foreign currency as the Company's risk exposure is considered not significant.

(d) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Further discussion on the Group's liquidity is disclosed in Note 2(b).

Other than the maturity profiles of the finance lease liabilities and non-convertible bond disclosed in the relevant notes, the financial liabilities of the Group and the Company at the reporting date are mostly repayable on demand or within the next one year.

(e) Fair Value of Financial Instruments

Fair value measurements recognised in the statement of financial position

The Group has established control framework with respect to the measurement of fair values. This frame includes a valuation team that reports directly to the Group Financial Controller, and has overall responsibility for all significant fair value measurements, including Level 3 fair values.

The valuation team regularly reviews significantly unobservable inputs and valuation adjustments. If third party confirmation, such as broker quotes or pricing services, is used to measure fair value, then the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

Significant valuation issues are reported to the Company's Audit Committee.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

28 FINANCIAL RISK MANAGEMENT (Continued)

(e) Fair Value of Financial Instruments (Continued)

Fair value measurements recognised in the statement of financial position (Continued)

The financial instruments that are measured subsequent to initial recognition at fair value are required disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents the financial assets and financial liabilities measured at fair value on a recurring basis at the reporting date:

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
Group and Company				
At 30 June 2017				
Financial assets				
Derivative contracts	**(107)**	**–**	**–**	**(107)**
Convertible note	**–**	**–**	**–**	**–**
At 30 June 2016				
Financial assets				
Derivative contracts	34	–	–	34
Convertible note	–	–	511	511

The fair values of derivative contracts traded in active markets are based on quoted market prices at the reporting date. These financial assets are included in Level 1.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

28 FINANCIAL RISK MANAGEMENT (Continued)

(e) Fair Value of Financial Instruments (Continued)

Fair value measurements recognised in the statement of financial position (Continued)

The following table shows the significant unobservable input used in Level 3:

Description	Valuation technique	Significant unobservable input
Convertible Note	Discounted cash flow	Most advantageous equivalent borrowing rates*

* Any significant isolated increases/(decreases) in the input would result in a significant lower/(higher) fair value measurement.

There was no transfer between Level 1 and 2 during the previous financial year.

Other financial assets and financial liabilities

The fair values of other financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their carrying amounts because of the short-term maturity of these financial instruments.

The fair values of finance lease liabilities and non-convertible bonds are disclosed in the relevant notes. For other non-current financial assets and financial liabilities, their carrying amounts are assumed to approximate fair values as management does not anticipate that the carrying amounts recorded at the reporting date would be significantly different from the amounts that would eventually be received or settled.

29 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital with reference to a net debt-to-equity ratio. The Group's strategies are to maintain a prudent balance between the advantage and flexibility afforded by a strong capital position and the higher return on equity that are possible with greater leverage. The Group's overall strategy remains unchanged from the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

29 CAPITAL MANAGEMENT (Continued)

The net debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as total financial liabilities less cash and cash equivalents. Total equity includes all capital and reserves of the Group that are managed as capital.

	2017 S$'000	2016 S$'000
Net debts	**10,632**	3,642
Total equity	**10,658**	9,796
Net debt to equity ratio	**99.8%**	37.2%

30 EVENTS AFTER THE REPORTING PERIOD

As announced on 14 and 22 September 2017, the Company allotted and issued a total of 182,420,255 new ordinary shares ("New Shares") pursuant to the exercise of 182,420,255 warrants at the exercise price of S$0.004 per share by certain shareholders (the "Warrant Exercise"). The Company raised proceeds of approximately S$729,681 from the Warrant Exercise.

Following the allotment and issuance of the New Shares pursuant to the Warrant Exercise, the total number of issued shares of the Company has increased from 4,218,558,916 to 4,400,979,171. The total outstanding warrants to subscribe for new shares in the capital of the Company remaining after the Warrant Exercise are 1,223,766,050.

STATISTICS OF SHAREHOLDINGS

AS AT 22 SEPTEMBER 2017

No. of Shares issued	:	4,400,979,171
Voting Rights	:	1 Vote per share
Class of Shares	:	Ordinary shares
Treasury Shares	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	21	0.17	445	0.00
100 – 1,000	1,416	11.69	1,007,160	0.02
1,001 – 10,000	5,011	41.35	25,051,643	0.57
10,001 – 1,000,000	5,380	44.40	575,566,352	13.08
1,000,001 AND ABOVE	290	2.39	3,799,353,571	86.33
TOTAL	**12,118**	**100.00**	**4,400,979,171**	**100.00**

Based on the information available to the Company as at 22 September 2017, approximately 64.7% of the issued ordinary shares of the Company are held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	WENG HUA YU @ SIMON ENG	670,000,000	15.22
2	LIM LIANG MENG	330,000,000	7.50
3	TAN SIJI MACARTHUR	207,300,000	4.71
4	FORT CANNING (ASIA) PTE LTD	205,200,000	4.66
5	YEO CHEE TONG	160,000,000	3.64
6	TAN NG KUANG	155,792,000	3.54
7	BELLE FORTE LTD	149,968,862	3.41
8	KGI SECURITIES (SINGAPORE) PTE. LTD.	120,000,000	2.73
9	DBS NOMINEES (PRIVATE) LIMITED	98,594,152	2.24
10	OCBC SECURITIES PRIVATE LIMITED	82,289,280	1.87
11	ENG WAH LEN ANDREW	69,313,785	1.57
12	ASCENDENZ CONSULTING PTE LTD	51,321,100	1.17
13	LEE SAI TEOW ALICE	50,500,000	1.15
14	MAYBANK KIM ENG SECURITIES PTE LTD	46,048,345	1.05
15	FAN WING FATT	43,799,900	1.00
16	PAN ASIA WINGS PTE LTD	42,627,000	0.97
17	TANG CHONG SIM	40,000,000	0.91
18	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	36,718,305	0.83
19	TAN KIM SENG	36,000,000	0.82
20	RHB SECURITIES SINGAPORE PTE. LTD.	34,745,500	0.79
	TOTAL	**2,630,218,229**	**59.78**

STATISTICS OF SHAREHOLDINGS

AS AT 22 SEPTEMBER 2017

Substantial Shareholders

	Direct Interest		Deemed Interest	
	No of Shares	**%**	**No of Shares**	**%**
Weng Hua Yu @ Simon Eng	680,000,000[(1)]	15.45	355,168,862[(2)]	8.07
Lim Liang Meng	330,000,000	7.50	–	–

(1) Mr. Weng Hua Yu @ Simon Eng has 670,000,000 Shares under his personal CDP account and 10,000,000 Shares under his SRS account.

(2) Mr. Weng Hua Yu @ Simon Eng is deemed to be interested in 205,200,000 Shares held under Fort Canning (Asia) Pte Ltd and 149,968,862 Shares held under Belle Forte Ltd, pursuant to Section 7 of the Companies Act, Chapter 50, by virtue of his shareholdings in Fort Canning (Asia) Pte Ltd and Belle Forte Ltd.

STATISTICS OF WARRANTHOLDINGS

AS AT 22 SEPTEMBER 2017

DISTRIBUTION OF WARRANTHOLDINGS

SIZE OF WARRANTHOLDINGS	NO.OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 – 99	6	1.00	300	0.00
100 – 1,000	10	1.68	8,350	0.00
1,001 – 10,000	73	12.25	448,800	0.04
10,001 – 1,000,000	443	74.33	73,152,366	5.98
1,000,001 AND ABOVE	64	10.74	1,150,156,234	93.98
TOTAL	**596**	**100.00**	**1,223,766,050**	**100.00**

TWENTY LARGEST WARRANTHOLDERS

NO.	NAME	NO. OF WARRANTS	%
1	WENG HUA YU @SIMON ENG	251,689,441	20.57
2	LIM LIANG MENG	230,000,000	18.79
3	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	92,297,000	7.54
4	APZENITH CAPITAL PTE LTD	84,754,018	6.93
5	TAN SIJI MACARTHUR	69,100,000	5.65
6	LEE SAI TEOW ALICE	53,500,000	4.37
7	KGI SECURITIES (SINGAPORE) PTE. LTD.	40,000,000	3.27
8	FAN WING FATT	38,134,000	3.12
9	RHB SECURITIES SINGAPORE PTE. LTD.	30,000,000	2.45
10	OCBC SECURITIES PRIVATE LIMITED	29,429,160	2.40
11	DBS NOMINEES (PRIVATE) LIMITED	29,090,500	2.38
12	MRS CHAU-CHAN SUI YUNG	21,000,000	1.72
13	NUR KHAYATI	20,000,000	1.63
14	ASCENDENZ CONSULTING PTE LTD	19,500,000	1.59
15	DIANA SNG SIEW KHIM	17,580,500	1.44
16	PAN ASIA WINGS PTE LTD	14,209,000	1.16
17	WEE HUI HIAN	7,259,700	0.59
18	TEO CHWEE HENG	6,000,000	0.49
19	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	5,840,865	0.48
20	VALMOND LEONG KENG SENG	5,500,000	0.45
	TOTAL	**1,064,884,184**	**87.02**

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